

COPY-

Application

Raleigh

Professional

Associates

CN1305-019

CON APPLICATION REVIEW CHECKLIST

SECTION A

1. ☐ Partner agreement, corporate charter, letter of certification, or other appropriate documents (must be filed with the Tenn. Secretary of State office to be binding with the exception of a General Partner). *[Section A, Item 4]*
2. ☐ Draft management contract for new or finalized contract for existing facilities. *[Section A, Item 5]*
3. ☐ Title or deed to property, option to purchase, lease or option to lease (signed). *[Section A, Item 6]*
4. ☐ TennCare Commitment *[Section A, Item 13]*

SECTION B

1. ☐ Square footage. *[Section B, Item II]*
2. ☐ All equipment costs (taxes, government fees, assessments, and installation fees. *[Section B, Item II]*
3. ☐ Plot Plan. *[Section B, Item III]*
4. ☐ Simple line drawing of proposed facility. *[Section B, Item IV]*

SECTION C

1. ☐ Five Principles to Achieve Better Healthcare. *[Section C, Need, Item 1]*
2. ☐ Specific Criteria. *[Section C, Need, Item 1a]*
3. ☐ General criteria – Change of Site only. *[Section C, Need, Item 1b]*
4. ☐ Confirmation and Map of service area. *[Section C, Need, Item 3]*
5. ☐ Waiting Time. *[Section C, Need, Item 5]*
6. ☐ Project Costs Chart and Architect's letter. *[Section C, Economic Feasibility, Item 1]*
7. ☐ Financing including terms and interest rates. *[Section C, Economic Feasibility, Item 2]*
8. ☐ Historical Data Chart (check utilization against latest JAR, if appropriate). *[Section C, Economic Feasibility, Item 4]*
9. ☐ Projected Data Chart (check projected utilization against C&S and proj. rev. against proj. utilization, proposed charges, depreciation and taxes). *[Section C, Economic Feasibility, Item 4]*
10. ☐ Financial Statements. *[Section C, Economic Feasibility, Item 10]*
11. ☐ Number of referrals to and/or by facility. *[Section C, Orderly Development, Item 2]*
12. ☐ Staffing Pattern (matches with salary and wages in Projected Data Chart *[Section C, Orderly Development, Item 4]*
13. ☐ License and Plan of Correction, and Avoidance of Similar Citations in Future Surveys, if applicable. *[Section C, Orderly Development, Item 7]*

FILING INFORMATION

1. ☐ **Verify application received within five (5) days of publication**
2. ☐ **Affidavit**
3. ☐ **Fee**
4. ☐ **Proof of Publication**
5. ☐ **Project Completion Forecast Chart.**

REPORTS

1. ☐ **Medical Equipment Registry submitted and updated?**
2. ☐ **Annual Progress Reports in compliance?**

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May 15, 2013

Melanie M. Hill, Executive Director
Tennessee Health Services and Development Agency
Frost Building, Third Floor
161 Rosa Parks Boulevard
Nashville, Tennessee 37203


RE: CON Application Submittal
Raleigh Professional Associates
Memphis, Shelby County

Dear Mrs. Hill:

This letter transmits an original and two copies of the subject application. The affidavit and filing fee are enclosed.

I am the contact person for this project. Richard Lodge at Bass, Berry is legal counsel. Please advise me of any additional information you may need. We look forward to working with the Agency on this project.

Respectfully,


John Wellborn
Consultant

RALEIGH PROFESSIONAL ASSOCIATES

**CERTIFICATE OF NEED APPLICATION
TO RELOCATE AN EXISTING
NON-RESIDENTIAL SUBSTITUTION-BASED
TREATMENT CENTER FOR OPIATE ADDICTION**

Filed May 2013

PART A

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1. Name of Facility, Agency, or Institution

Raleigh Professional Associates		
<i>Name</i>		
2165 Spicer Cover, Suite 9	Shelby	
<i>Street or Route</i>	<i>County</i>	
Memphis	TN	38134
<i>City</i>	<i>State</i>	<i>Zip Code</i>

2. Contact Person Available for Responses to Questions

John Wellborn		Consultant	
<i>Name</i>		<i>Title</i>	
Development Support Group		jwdsg@comcast.net	
<i>Company Name</i>		<i>E-Mail Address</i>	
4219 Hillsboro Road, Suite 203	Nashville	TN	37215
<i>Street or Route</i>	<i>City</i>	<i>State</i>	<i>Zip Code</i>
CON Consultant	615-665-2022	615-665-2042	
<i>Association With Owner</i>	<i>Phone Number</i>	<i>Fax Number</i>	

3. Owner of the Facility, Agency, or Institution

VCPHCS XXI, LLC dba Behavioral Health Group		
<i>Name</i>		
8300 Douglas Avenue, Suite 750	Dallas	
<i>Street or Route</i>	<i>County</i>	
Dallas	TX	75225
<i>City</i>	<i>State</i>	<i>Zip Code</i>

4. Type of Ownership or Control (Check One)

A. Sole Proprietorship		F. Government (State of TN or Political Subdivision)	
B. Partnership		G. Joint Venture	
C. Limited Partnership		H. Limited Liability Company	x
D. Corporation (For-Profit)		I. Other (Specify):	
E. Corporation (Not-for-Profit)			

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS**

5. Name of Management/Operating Entity (If Applicable) **NA**

<i>Name</i>		
<i>Street or Route</i>		<i>County</i>
<i>City</i>	<i>State</i>	<i>Zip Code</i>

6. Legal Interest in the Site of the Institution (Check One)

A. Ownership	<input type="checkbox"/>	D. Option to Lease	<input type="checkbox"/>
B. Option to Purchase	<input type="checkbox"/>	E. Other (Specify):	<input type="checkbox"/>
C. Lease of 10 Years	<input checked="" type="checkbox"/>		<input type="checkbox"/>

7. Type of Institution (Check as appropriate—more than one may apply)

A. Hospital (Specify): General	<input type="checkbox"/>	I. Nursing Home	<input type="checkbox"/>
B. Ambulatory Surgical Treatment Center (ASTC) Multi-Specialty	<input type="checkbox"/>	J. Outpatient Diagnostic Center	<input type="checkbox"/>
C. ASTC, Single Specialty	<input type="checkbox"/>	K. Recuperation Center	<input type="checkbox"/>
D. Home Health Agency	<input type="checkbox"/>	L. Rehabilitation Center	<input type="checkbox"/>
E. Hospice	<input type="checkbox"/>	M. Residential Hospice	<input type="checkbox"/>
F. Mental Health Hospital	<input type="checkbox"/>	N. Non-Residential Methadone	<input checked="" type="checkbox"/>
G. Mental Health Residential Facility	<input type="checkbox"/>	O. Birthing Center	<input type="checkbox"/>
H. Mental Retardation Institutional Habilitation Facility (ICF/MR)	<input type="checkbox"/>	P. Other Outpatient Facility (Specify):	<input type="checkbox"/>
	<input type="checkbox"/>	Q. Other (Specify):	<input type="checkbox"/>

8. Purpose of Review (Check as appropriate—more than one may apply)

A. New Institution	<input type="checkbox"/>	G. Change in Bed Complement Please underline the type of Change: Increase, Decrease, Designation, Distribution, Conversion, Relocation	<input type="checkbox"/>
B. Replacement/Existing Facility	<input type="checkbox"/>	H. Change of Location	<input checked="" type="checkbox"/>
C. Modification/Existing Facility	<input type="checkbox"/>	I. Other (Specify):	<input type="checkbox"/>
D. Initiation of Health Care Service as defined in TCA Sec 68-11-1607(4) (Specify)	<input type="checkbox"/>		<input type="checkbox"/>
E. Discontinuance of OB Service	<input type="checkbox"/>		<input type="checkbox"/>
F. Acquisition of Equipment	<input type="checkbox"/>		<input type="checkbox"/>

9. Bed Complement Data**NA***(Please indicate current and proposed distribution and certification of facility beds.)*

	Current Licensed Beds	CON approved beds (not in service)	Staffed Beds	Beds Proposed (Change)	TOTAL Beds at Completion
A. Medical					
B. Surgical					
C. Long Term Care Hosp.					
D. Obsetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolesc. Psych.					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid certified)					
M. Nursing Facility Lev. 1 (Medicaid only)					
N. Nursing Facility Lev. 2 (Medicare only)					
O Nursing Facility Lev. 2 (dually certified for Medicare & Medicaid)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child/Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL					

10. Medicare Provider Number: NA
Certification Type: NA

11. Medicaid Provider Number: NA
Certification Type: NA

12. & 13. See page 4

A.12. IF THIS IS A NEW FACILITY, WILL CERTIFICATION BE SOUGHT FOR MEDICARE AND/OR MEDICAID?

Raleigh Professional Associates has been operating at its current location in Memphis for more than nine years. It is licensed by the State and is accredited by the Joint Commission. It is proposing to move to another building approximately three miles away.

The facility is an existing State-licensed opioid treatment program (OTP)* utilizing methadone as a core component of its treatments. Like other such licensed programs in Tennessee, it does not contract with Medicare or Medicaid/TennCare. Very few Medicare-age patients seek admission to an OTP. At this clinic currently, only 5.6% of patients are 65 years of age or older. Please see the explanation in response A.13 immediately below, with respect to TennCare participation.

** "Opioid Treatment Program" or "OTP" is becoming the preferred name for the type of State-licensed, comprehensive, clinic-based program that provides methadone or suboxone replacement therapy combined with intensive counseling and social services. Other names frequently given to these programs include "methadone maintenance therapy" (MMT), or "methadone clinic." The current (CY2013) Tennessee licensing category for this type of facility is "Alcohol and Drug Non-Residential Opiate Treatment Facility".*

A.13. IDENTIFY ALL TENNCARE MANAGED CARE ORGANIZATIONS / BEHAVIORAL HEALTH ORGANIZATIONS (MCO'S/BHO'S) OPERATING IN THE PROPOSED SERVICE AREA. WILL THIS PROJECT INVOLVE THE TREATMENT OF TENNCARE PARTICIPANTS? No IF THE RESPONSE TO THIS ITEM IS YES, PLEASE IDENTIFY ALL MCO'S WITH WHICH THE APPLICANT HAS CONTRACTED OR PLANS TO CONTRACT.

DISCUSS ANY OUT-OF-NETWORK RELATIONSHIPS IN PLACE WITH MCO'S/BHO'S IN THE AREA.

In West Tennessee, the available TennCare MCOs are United Healthcare Community Plan (formerly AmeriChoice), BlueCare, and TennCare Select. However, TennCare reimbursement does not cover opioid treatment programs ("OTP's") for

patients over 20 years of age; and this clinic (like the others in Tennessee) serves only adult patients 18 years of age or older. Therefore the "window" of TennCare coverage for OTP services is only patients who are 18-to-20 years of age. Very few persons that young seek admission. In this clinic currently, only 1.7% of the patients (three persons) are 18-21 years of age. As a result, like Tennessee's other OTP's, this Memphis program does not need to formally contract with a TennCare MCOs.

However, this facility is able to serve eligible TennCare enrollees (age 18-20) on a private pay basis. Such TennCare patients work directly with their MCO to be reimbursed personally for their payments to the clinic. The clinic submits to the MCO each patient's medical intake assessment, diagnosis, and most recent treatment plan, to establish medical necessity. TennCare patients who need transportation to the clinic can often utilize transportation contracts between the Bureau of TennCare and local nonprofit organizations.

This treatment model is affordable for opioid-dependent TennCare patients, especially when compared to the costs of not seeking such treatment. Methadone maintenance treatment at this clinic, after initial intake, costs approximately \$98 per week. The only alternative for the addiction is to continue purchasing opioids illicitly "on the street"--which costs the drug user three to four times as much. When self-medicating without the monitoring and support of a comprehensive treatment program, patients' outcomes have proven to be dangerous as well as costly to society.

SECTION B: PROJECT DESCRIPTION

B.I. PROVIDE A BRIEF EXECUTIVE SUMMARY OF THE PROJECT NOT TO EXCEED TWO PAGES. TOPICS TO BE INCLUDED IN THE EXECUTIVE SUMMARY ARE A BRIEF DESCRIPTION OF PROPOSED SERVICES AND EQUIPMENT, OWNERSHIP STRUCTURE, SERVICE AREA, NEED, EXISTING RESOURCES, PROJECT COST, FUNDING, FINANCIAL FEASIBILITY AND STAFFING.

Proposed Services and Equipment

- The facility is a licensed, Joint Commission-accredited clinic that has been operating for 26 years. It is located currently at 2960-B Old Austin Peay Highway, in the Raleigh area of Memphis, north of I-40. The facility proposes to move to leased space in the Perimeter Point Business Center, at 2165 Spicer Cove, approximately 2.8 miles to the southeast, but still in Memphis north of I-40. That site is only 7 minutes' drive from the current site.
- The applicant operates an outpatient Opioid Treatment Program ("OTP") that is authorized to dispense daily dosages of opioid substitutes such as methadone and suboxone, to adult patients (age 18+) who are addicted. This is done under rigorous controls that include mandatory drug testing, counseling, and social services. Methadone is a safe, synthetically engineered "substitute" opioid used to relieve and stabilize persons who are dependent on very harmful opioids such as heroin, OxyContin, Dilaudid, morphine, and hydrocodone. A harmless substitute medication such as methadone, taken daily, suppresses patients' cravings for harmful opioids, allowing patients to lead normal lives--holding jobs, maintaining family relationships, and living more safely. Equally important, the applicant's program provides comprehensive behavior therapy and case management services to support the patient's recovery and stabilization.

Ownership Structure

- The licensed facility's owner is VCPHCS XXI, LLC, whose only member and parent company is VCPHCS, LP (which does business as Behavioral Health Group, or "BHG"). BHG is Tennessee's largest provider of this type of service. It owns 9 of Tennessee's 12 clinic programs of this type. Attachment A.4 contains a list of BHG's Tennessee facilities in Memphis (3), Jackson, Paris, Nashville, Columbia, and Knoxville (2). BHG owns 21 additional clinics in seven other States.

Service Area

- The applicant's primary service area consists of a large number of counties around Memphis, located in Tennessee, Mississippi, and Arkansas. Approximately 82% of its patients reside in Tennessee. Shelby, Fayette, and Tipton County patients comprise approximately 96% of the clinic's Tennessee patients, and approximately 79% of its total patients. Approximately 15% of the clinic's patients reside in Mississippi, with more in DeSoto County than in any other Mississippi county.

Need

- The facility has been operating at this location for approximately 26 years. It needs larger and more modern space, with improved patient flows. Its lobby is too small to accommodate patients comfortably in peak visiting hours. It has no conference room, and inadequate group meeting space. It needs more, and larger, restrooms for staff and patients. It needs a more professional appearance. The proposed location and interior design offer needed improvements. The facility's enrollments have been fairly consistent for several years and no increases of utilization are projected in the near future.

Existing Resources

- This clinic is one of three outpatient Opioid Treatment Programs ("OTP's") in Memphis. All three are owned and operated by BHG. They all serve residents of West Tennessee and nearby States. They are the only three OTP's in the primary service area.

Project Cost

- The project cost is estimated to be only \$1,136,905. Of this, only \$689,385 is actual capital cost; the balance is the value of the leased space under HSDA rules.

Funding

- The applicant LLC and its parent BHG have sufficient funds available to implement the relocation.

Financial Feasibility

- The program will continue to operate with a positive financial margin in its new location.

Staffing

- The relocation will not require addition of any staff.

B.II. PROVIDE A DETAILED NARRATIVE OF THE PROJECT BY ADDRESSING THE FOLLOWING ITEMS AS THEY RELATE TO THE PROPOSAL.

B.II.A. DESCRIBE THE CONSTRUCTION, MODIFICATION AND/OR RENOVATION OF THE FACILITY (EXCLUSIVE OF MAJOR MEDICAL EQUIPMENT COVERED BY T.C.A. 68-11-1601 *et seq.*) INCLUDING SQUARE FOOTAGE, MAJOR OPERATIONAL AREAS, ROOM CONFIGURATION, ETC.

The applicant is currently located in the Raleigh area of Memphis, near the Raleigh Shopping Center and several blocks north of I-40 on the north side of Memphis. The applicant is proposing to relocate to an office building in the Perimeter Point Business Center, at 2165 Spicer Cove. The proposed location is less than 3 miles southeast of the applicant's current address, within the same sector of the city, north of Interstate 40.

This 16,806 SF building is a one-story structure in an office park with ample patient parking spaces. Its zoning is EMP, compatible with the proposed use.

The applicant plans to renovate and occupy an estimated 7,350 SF of space. The finished clinic will contain patient reception, intake, and waiting areas; nursing and physician offices; staff offices and break room; a laboratory; secure pharmaceutical storage in a secure medication room; medication administration spaces ("dosing booths"); a group counseling room that can be partitioned into two group rooms, five private counseling rooms with expansion capability; offices for the Program Director, Counseling Supervisor, and Medical Director; and several bathrooms for staff, patients, and drug screening tests. A layout of the proposed clinic is provided at the end of this response; the floor plan and site plan are provided in the Attachments to the application.

The new space has been designed for efficient, secure, and confidential patient care. It has been planned by BHG, the applicant's parent company, working with Denton Architecture of Memphis. The facility will continue to comply with all State licensure, Federal certification, and accreditation standards.

Arriving patients will park around the building and will enter the clinic reception and waiting area through the east entrance on that side of the building. From there, they will be directed to the appropriate spaces for their scheduled services. If only dosing is

scheduled (administration of medication by a medication nurse), they will proceed to a dosing booth for administration of the medication by a nurse. If counseling is part of their scheduled care that day, they will proceed either to a private, sound-proof counseling office to meet with their assigned counselor, or to a group counseling room. If drug screens and/or lab analysis are required, patients will proceed into an area with multiple patient bathrooms and a laboratory for testing and analysis. If a patient is scheduled to see the Medical Director or Nurse Practitioner for medical care, s/he will proceed to the Medical Director's office.

There will be a secure, locked medication room internal to the building. It will have motion and vibration alarm systems to defeat any attempts to steal pharmaceuticals during or after operating hours. It will have thick plywood shielding in the ceiling and walls, underneath the drywall finishes. It will contain a locked vault, or safe, for storage of pharmaceuticals. The medication room and its vault will meet the Drug Enforcement Administration's OTP-specific security requirements established in 21 CFR Section 1305.

A security guard will be on duty inside and outside the building during operating hours--to manage early-morning traffic, to promote public comfort, to discourage attempts at theft, and to prohibit loitering in or near the property, whether by existing patients or otherwise.

Facility Cost, Funding, Financial Feasibility

The project cost for CON purposes has been estimated at \$1,136,905, of which \$689,385 is the actual capital cost (the balance being the value of leased space). The applicant LLC, through its parent company BHG, has sufficient cash on hand to implement the project. The clinic currently has an established patient base and a positive cash flow and operating margin. These will continue at the new site.

Entities Surrounding the Site

The site was chosen over other potential sites not only because of the building's quality, but also because of (a) its distance from residences, schools and churches, (b) its

proximity to the facility's current location, (c) access to the bus route (37) provided by Memphis Area Transit Authority, and (d) to provide a better experience for patients.

There are no public schools, residential neighborhood or parks within two blocks of the proposed site. The site is in an entirely commercial district consisting mostly of automobile dealerships, automotive repair shops, a distribution center and a few restaurants.

The proposed site is located inside Perimeter Point Business Center which is located on Elmore Rd., a 0.5 mile stretch of road situated between Covington Pike on the west and Raleigh-LaGrange Rd. on the east. The proposed site resides on the east side of the business center facing Spicer Cove. There is a quarter-mile distance going east or west to Raleigh-LaGrange or Covington Pike, respectively. Other businesses in the business center include the American Heart Association, 180° Medical, Protection One (security), National Hardwood Magazine, Tolt Service Group (engineering), and Orkin Pest Control.

Leaving the proposed site and going east on Elmore Rd. for 0.25 miles ending at Raleigh LaGrange Rd, there are numerous businesses dealing with automotive services. These businesses include Visual Perfection Auto Body Repair, A Plus Automotive, Hot Graphics Printing, Bluff City Collision & Repair, Watkins Automotive, Goodman Hi Performance, Icon Collision Services and Best Deal Auto Repair. Covington Way Distribution Center resides at the end of Spicer Cove.

Leaving the proposed site and going west on Elmore Rd. for 0.25 miles ending at Covington Pike, automotive business are dominant. The businesses include Bruce Motor Co., IMEC Digital Studio, AC Delco (directly across from Perimeter Point), a warehouse/distribution center, and a McDonald's resides on the corner of Elmore Rd. and Covington Pike.

The proposed site is accessible from I-240 via Exit 10 Covington Pike North. The area is known for a mile long stretch of car dealerships, including GMC, Gossett, Audi, Hyundai, Mazda, Chrysler, Honda, Automax, Chevrolet, Volvo, Subaru, and others. Also on Covington Pike, south of Elmore Rd. is a BP gas station, Superlo Foods,

Wendy's and McDonalds. Continuing north of Elmore Rd. on Covington Pike, businesses include automotive repairs shops such as Aamco (transmission service), Goodyear and Bridgestone (tires). Also located on this route is Cash America (pawn shop), a title loan company, a SAAB auto dealership and two used car lots. Several buildings are not in use.

Operational Schedule

The project's first full operational year at the proposed new site will be January through December of CY2014. It will operate seven days a week, with only four holidays a year (Memorial Day; Independence Day; Thanksgiving; Christmas).

The clinic's operating hours will continue to be from 5:00 am to 1:30 pm Monday through Friday, 5:30 am to 11:30 am on Saturday, and 5:45 am to 9:45 am on Sunday. Counseling is provided Monday through Saturday.

The clinic's routine patient service hours (patient dosing) will continue to be 5:00 am to 11:00 am (late dosing until 12:00 noon) on Monday through Friday, 6:00 am to 10:30 am on Saturday, and 6:00 am to 9:00 am on Sunday.

Program staff, including the Medical Director, are on call 24/7 through the clinic's emergency call numbers, one of which is a cell phone.

Licensure, Certification, Accreditation

Like all of the BHG clinics in Tennessee, this Memphis facility is currently licensed by the Tennessee Department of Mental Health (DMH) as an "Alcohol and Drug Abuse--Non-Residential Opioid Treatment Facility." The licensure category will change to "Non-Residential Substitution-Based Treatment Center for Opiate Addiction", as the licensing agency re-licenses facilities using the term prescribed in a recent State statute.

The clinic will also continue to be Federally licensed by the Drug Enforcement Administration (DEA) under a "Registered Controlled Substance Certificate," which allows it to handle certain controlled substances. It operates under certification as an

opioid treatment program from the Center for Substance Abuse Treatment (CSAT), a branch of the Substance Abuse and Mental Health Services Administration (SAMHSA) in the U.S. Department of Health and Human Services.

All of BHG's Tennessee clinics are accredited either by The Joint Commission or by CARF (a national nonprofit accreditation organization originally founded as the "Commission on Accreditation of Rehabilitation Facilities").

This particular facility is Joint Commission-accredited. The accreditation survey findings, resulting in a three-year accreditation, are provided in the Attachments.

Ownership and Management

Raleigh Professional Associates is wholly owned by VCPHCS XXI, LLC, a limited liability company. That LLC is wholly owned by VCPHS, LP, a limited partnership, all of whose interests are owned by BHG Holdings, LLC. Entities with 5% or greater membership interests in BHG Holdings, LLC are:

BHG Investments, LLC	84.00%
Andrew Love	7.02%
James Draudt	7.18%

Program Description

1. Staffing

A Program Director supervises all daily operations of the program. Medical supervision and medical care are provided by a Medical Director (assisted by a Nurse Practitioner if requested by the Medical Director), a Nurse Supervisor, Medication Nurses, and Medical Assistants/Phlebotomists as needed. Intake evaluations and counseling are provided by the Program Director and a Counselor Supervisor, with support from Administrative staff and Medical Assistants. The Counselor Supervisor supervises a staff of five clinical counselors. Administrative support persons, maintenance and security personnel provide administrative and facility support.

The staffing pattern will be unchanged at the new location (see section C.III.3 of this application). The applicant projects having an average of one counselor per approximately fifty to sixty patients (dependent on a counselor's mix of new versus stable patients), as reflected in the facility design and staffing pattern, i.e., five counselors, and a counselor supervisor, for a program seeing 260 patients on average.

The frequency of counseling depends on individual needs, with more intensive counseling required in the early phases of the program (twice weekly during the first 30 days), and less frequent counseling as the patient moves through later phases. With an established program like this, ratios tend toward one counselor per sixty patients because longer-term patients require less frequent counseling. A new program would start off closer to one counselor per thirty patients.

The program's Medical Director, John O'Connell, M.D., is licensed in Tennessee and Mississippi. He holds current State controlled-substance registration and a Federal DEA certificate. He received his M.D. from the UT College of Medicine and completed his residency at City of Memphis Hospital. Dr. Connell is Board certified in Internal Medicine. He was in private practice in Germantown for fourteen years, during which time he served four years as Chairman of the Department of Medicine at Germantown Community Hospital.

2. Program Overview

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The objective of the program is to help patients stop using opioids and any other drugs that interfere with their lives, so they can resume normal lives in their homes, workplaces, and communities. This is accomplished through not only a medically managed program of substituting methadone for harmful opioids and encouraging managed withdrawal, but also by simultaneously requiring intensive counseling and support services to help patients change the lifestyles and personal relationships that led them to develop drug dependencies.

Admission to the program is tightly controlled through stringent medical and State and Federal admission criteria. Applicants must be at least 18 years of age. They must demonstrate opioid dependency through assessment screenings and lab work; and they must have been dependent for at least one year. The Tennessee Controlled Substance Monitoring Program Database is checked (at entry, and periodically as needed) to identify narcotic prescriptions that a patient may have had filled. The intake staff also checks adjoining States' prescription registries, and investigates the patients' use of other OTP's within driving range. Inquiries will be made with the patient's personal physician, if any. Admission to the program will be granted only after the Medical Director has met with the patient and is satisfied that the patient is eligible and committed to work toward recovery. In addition to serving its own program enrollees, the clinic also serves a significant number of "guest" patients who are traveling through Memphis and are enrolled in other OTP programs. They are served only after a very detailed screening and certification process coordinated with their "home" OTP program, to ensure their active status in a licensed program and the appropriateness of the care they seek at Raleigh Professional Associates.

The first month of the program is an intensive orientation period to prepare the patient for successful integration into the program. A discharge planning process starts immediately upon intake to reinforce that the patient's goal is to eliminate all drug dependency, including dependence on methadone. The patient meets with the Medical Director and undergoes private counseling with his or her assigned counselor, at least weekly. A comprehensive drug and alcohol assessment is completed during this orientation month. An individualized treatment plan is developed to coordinate the

interdisciplinary requirements of the program. The patient's treatment plan is updated every three months in the first year of treatment, and every six months thereafter. New Patient Orientation group meetings and private individualized counseling twice weekly are required during this orientation month. Dosing and counseling are available at least six hours per day on weekdays, and at least three hours on Saturdays. On Sundays, dosing is available at least three hours and counseling may be provided to accommodate special needs of the patient's schedule.

From the outset of the program, patients receive daily oral doses of a "substitute" medication such as methadone, a synthetic, non-harmful opioid whose effects generally last 24-36 hours. Unlike the other opioids to which the patient is addicted, methadone does not create a "high" or impair mental or bodily function or deteriorate the body physically when properly administered. Methadone's only significant effect is the positive elimination of the cravings for other types of opioids. This medication replacement therapy, coupled with the prolonged support of counseling and social services, enables patients to resume normal lives. Between 60% and 70% of clinic patients are usually employed (most of the other patients are either disabled, retired, or are homemakers).

After the Medical Director has established an appropriate dosage plan, a clinic nurse administers the patient's methadone orally, each day. After a successful orientation month, compliant patients enter the longer-term maintenance program, which consists of nine phases with increasing responsibilities and increasing privileges for compliant participants. Progress through these phases depends on continuous time in treatment as well as on compliance with several standards of behavior, including maintaining "clean" drug screens; abstinence from alcohol; regularly attending the clinic as scheduled; keeping appointments at the clinic and referral agencies; conformity to the clinic's behavioral standards; stability of home and social relationships; and a demonstrated ability to safeguard take-home doses and to ingest them as prescribed by the Medical Director. The privileges earned in moving through the phases include gradual reduction in required counseling from four sessions a month to one per month, and additional take-home doses to reduce the burdens of daily commuting.

During all phases of the maintenance program, the clinic makes unscheduled "call-backs" for patients dosing at home to present at the clinic within 24 hours of notification, to have their medications counted (this assures that the medications are not being diverted for illicit sale or otherwise being administered inappropriately). In addition, both at intake and periodically during treatment, the clinic tests for alcohol consumption.

During all phases of the program, patients who fail to comply with program rules can be discharged or can be returned to earlier "phases" requiring increased attendance, clinic dosing, and more frequent drug screens and counseling--more intensive monitoring and therapy. Rules include: no diversion of the methadone take-home doses (i.e., no stockpiling, selling, or giving away); no attempts to defeat drug screens, no threats of violence; no use of substances of any kind (including alcohol) that are prohibited in the patient's treatment plan; no failures of attendance at required therapies and counseling; no missing of three consecutive clinic dosing appointments; screenings that document the presence of illicit drugs, or the absence of methadone metabolite; etc. A positive drug test result after the first six months of enrollment requires weekly counseling, immediate revocation of take-home privileges, participation in treatment team meetings, and more intensive levels of care.

Services *provided directly by the clinic* include but are not limited to: individual and group counseling, opioid substitution treatment, long-term opioid medically supervised withdrawal or "MSW" (to wean the patient from methadone), physical examinations, lab tests, urine drug screens, minor medical services and referrals, substance abuse assessments and evaluations, TB testing, vocational counseling, case management, and budgeting. The clinic provides on-site prescriber services of one hour per week for every 35 service recipients. A minimum of 12.5% of the required subscriber services is provided by a physician. Services *arranged by the clinic through subcontracting and referral* will include but will not be limited to the following: HIV testing, residential medical social work, residential A&D care, psychiatry, obstetrics services, comprehensive medical services, dental services, employment counseling and vocational placement, educational/GED assistance, family planning, STD testing, financial counseling, nutritional counseling, and special support programs for pregnant women and women with infants.

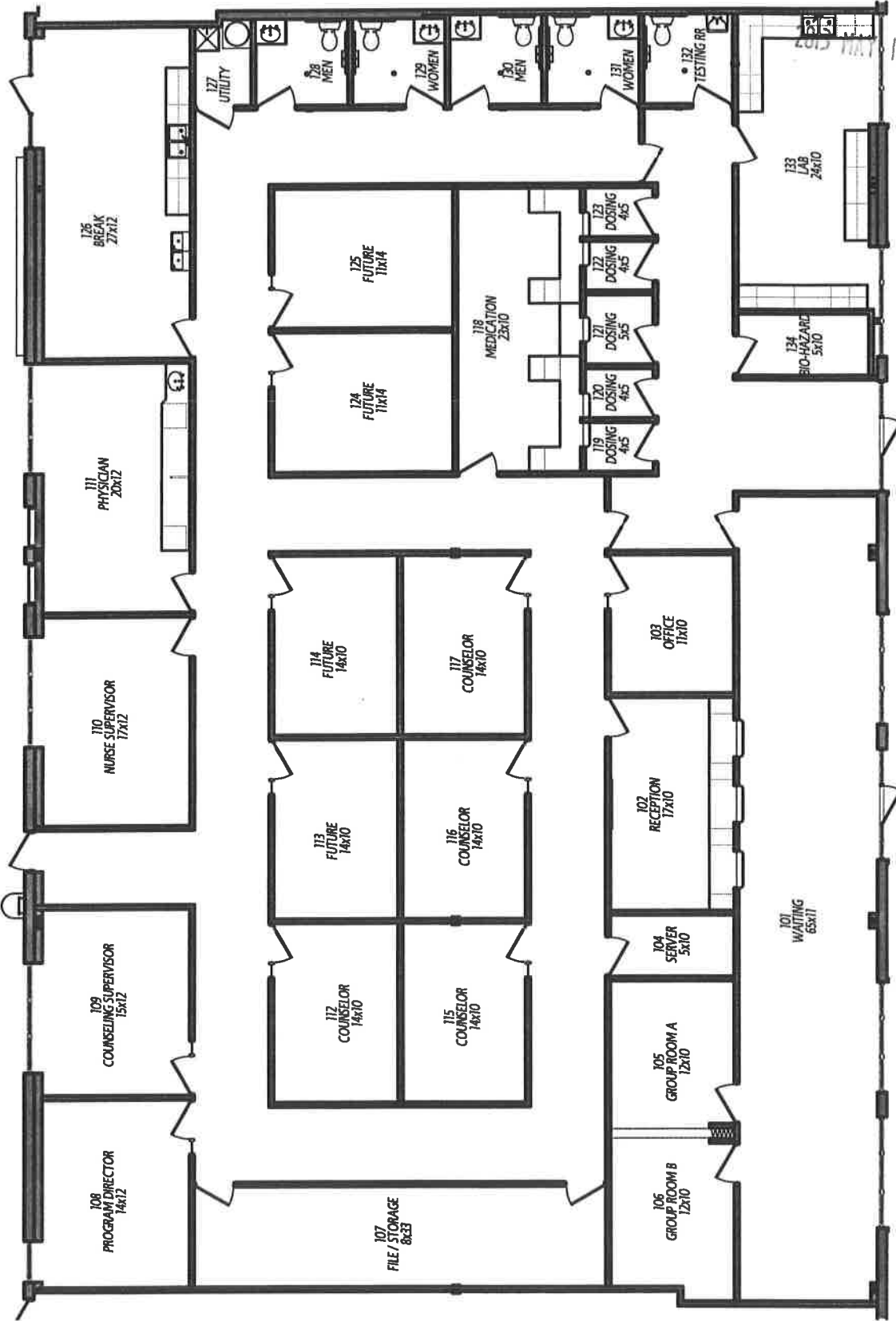
3. Results of the Program

A methadone maintenance treatment regimen (stable dose level, active participation in individual and group counseling therapy, establishment of a stable home life and gainful employment) enables a patient to eliminate the use of illicit and harmful opioid drugs--i.e., to be free of drugs *other* than methadone, which is a long-acting replacement medication. It is those *other* drugs that cause harm to the patient and to the patient's community--not methadone that is well-managed by a licensed treatment program.

The word "maintenance" signifies that medication replacement therapy is most often a long-term treatment regimen. Recovery is a lifelong commitment, and the opioid treatment program is a lifelong resource, if needed. Some patients committed to remaining "drug-free" of *other* drugs attend the program indefinitely; others re-enter treatment upon experiencing relapse, post-discharge. A partial analogy is Alcoholics Anonymous (AA) for alcoholism: a person addicted to alcohol never cures alcoholism but is able to avoid alcohol by faithful participation in the AA program. The percentage of RPA's patients who are "opiate positive" drops dramatically as continuous time in maintenance treatment increases.

A February 2002 IDU/HIV monograph entitled "Methadone Maintenance Treatment", funded by the U.S. Center for Disease Control, stated that "most" program enrollees who discontinue methadone maintenance relapse to use of other drugs, and that individuals "may need multiple episodes of treatment over time". That short monograph includes related facts of interest in support of methadone maintenance. It is in the "Miscellaneous" attachment at the end of this application. The monograph's estimate is consistent with others published over many years.

Certainly, many patients leave the treatment program without the need for replacement methadone therapy and remain free of illicit substance use, but it is difficult to track these patients' long-term success or track record. There is no national database on an individual's participation, anymore than AA maintains a national database.



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APPLICANTS WITH HOSPITAL PROJECTS (CONSTRUCTION COST IN EXCESS OF \$5 MILLION) AND OTHER FACILITY PROJECTS (CONSTRUCTION COST IN EXCESS OF \$2 MILLION) SHOULD COMPLETE THE SQUARE FOOTAGE AND COSTS PER SQUARE FOOTAGE CHART....

Not applicable.

PLEASE ALSO DISCUSS AND JUSTIFY THE COST PER SQUARE FOOT FOR THIS PROJECT.

The space to be leased is in good condition. Only light renovation and modernization will be required. The estimated \$514,500 renovation cost is only \$70 PSF, to create 7,350 SF of clinic space.

IF THE PROJECT INVOLVES NONE OF THE ABOVE, DESCRIBE THE DEVELOPMENT OF THE PROPOSAL.

Not applicable.

B.II.B. IDENTIFY THE NUMBER AND TYPE OF BEDS INCREASED, DECREASED, CONVERTED, RELOCATED, DESIGNATED, AND/OR REDISTRIBUTED BY THIS APPLICATION. DESCRIBE THE REASONS FOR CHANGE IN BED ALLOCATIONS AND DESCRIBE THE IMPACT THE BED CHANGE WILL HAVE ON EXISTING SERVICES.

Not applicable.

B.II.C. AS THE APPLICANT, DESCRIBE YOUR NEED TO PROVIDE THE FOLLOWING HEALTH CARE SERVICES (IF APPLICABLE TO THIS APPLICATION):

1. ADULT PSYCHIATRIC SERVICES
2. ALCOHOL AND DRUG TREATMENT ADOLESCENTS >28 DAYS
3. BIRTHING CENTER
4. BURN UNITS
5. CARDIAC CATHETERIZATION SERVICES
6. CHILD AND ADOLESCENT PSYCHIATRIC SERVICES
7. EXTRACORPOREAL LITHOTRIPSY
8. HOME HEALTH SERVICES
9. HOSPICE SERVICES
10. RESIDENTIAL HOSPICE
11. ICF/MR SERVICES
12. LONG TERM CARE SERVICES
13. MAGNETIC RESONANCE IMAGING (MRI)
14. MENTAL HEALTH RESIDENTIAL TREATMENT
15. NEONATAL INTENSIVE CARE UNIT
16. NON-RESIDENTIAL METHADONE TREATMENT CENTERS
17. OPEN HEART SURGERY
18. POSITIVE EMISSION TOMOGRAPHY
19. RADIATION THERAPY/LINEAR ACCELERATOR
20. REHABILITATION SERVICES
21. SWING BEDS

Not applicable. The application proposes only to move an existing licensed and accredited facility within the same sector of Memphis. It does not propose to expand services. The applicant's organization is the only provider of these services in Memphis; there are no competitive issues.

B.II.D. DESCRIBE THE NEED TO CHANGE LOCATION OR REPLACE AN EXISTING FACILITY.

The need for the proposed relocation can be simply stated. The applicant has occupied its current location for twenty-six years. It needs larger and more modern space, with improved patient flows. Its lobby is too small to accommodate patients comfortably in peak visiting hours. It has no conference room, and inadequate group meeting space. It needs more, and larger, restrooms for staff and patients. It needs a more professional appearance. The proposed location and interior design offer needed improvements. Program expansion will be possible at the new location; but that is not the reason for the relocation. The facility's enrollments have been fairly consistent for several years and no increases of utilization are projected in the near future.

B.II.E. DESCRIBE THE ACQUISITION OF ANY ITEM OF MAJOR MEDICAL EQUIPMENT (AS DEFINED BY THE AGENCY RULES AND THE STATUTE) WHICH EXCEEDS A COST OF \$1.5 MILLION; AND/OR IS A MAGNETIC RESONANCE IMAGING SCANNER (MRI), POSITRON EMISSION TOMOGRAPHY (PET) SCANNER, EXTRACORPOREAL LITHOTRIPTER AND/OR LINEAR ACCELERATOR BY RESPONDING TO THE FOLLOWING:

- 1. For fixed site major medical equipment (not replacing existing equipment):**
 - a. Describe the new equipment, including:**
 - 1. Total Cost (As defined by Agency Rule);**
 - 2. Expected Useful Life;**
 - 3. List of clinical applications to be provided; and**
 - 4. Documentation of FDA approval.**
 - b. Provide current and proposed schedule of operations.**
- 2. For mobile major medical equipment:**
 - a. List all sites that will be served;**
 - b. Provide current and/or proposed schedule of operations;**
 - c. Provide the lease or contract cost;**
 - d. Provide the fair market value of the equipment; and**
 - e. List the owner for the equipment.**
- 3. Indicate applicant's legal interest in equipment (e.g., purchase, lease, etc.)**
In the case of equipment purchase, include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Not applicable; no major medical equipment is proposed.

B.III.A. ATTACH A COPY OF THE PLOT PLAN OF THE SITE ON AN 8-1/2" X 11" SHEET OF WHITE PAPER WHICH MUST INCLUDE:

- 1. SIZE OF SITE (IN ACRES);**
- 2. LOCATION OF STRUCTURE ON THE SITE;**
- 3. LOCATION OF THE PROPOSED CONSTRUCTION; AND**
- 4. NAMES OF STREETS, ROADS OR HIGHWAYS THAT CROSS OR BORDER THE SITE.**

PLEASE NOTE THAT THE DRAWINGS DO NOT NEED TO BE DRAWN TO SCALE. PLOT PLANS ARE REQUIRED FOR ALL PROJECTS.

See Attachment B.III.A.

B.III.B.1. DESCRIBE THE RELATIONSHIP OF THE SITE TO PUBLIC TRANSPORTATION ROUTES, IF ANY, AND TO ANY HIGHWAY OR MAJOR ROAD DEVELOPMENTS IN THE AREA. DESCRIBE THE ACCESSIBILITY OF THE PROPOSED SITE TO PATIENTS/CLIENTS.

The project is located at 2165 Spicer Cover, Memphis, Tennessee 38134. The site is in Perimeter Point Business Center, an established office complex. It is approximately 3 miles and 8 minutes' drive time from RPA's current location near the Raleigh Shopping Center. Table One below shows drive times and distances between this clinic and the other two clinics of this type in Memphis (all three are operated by BHG). The new site will have municipal bus service within a walking distance of a few hundred feet. The site is 5.3 miles and 9 minutes' drive time from the Memphis interstate network via Exit 8 on I-40. Existing and future patients can easily find the site.

Table One: Distances and Drive Times Between BHG Memphis Facilities At Proposed Locations			
	Raleigh Professional Associates (RPA) 2165 Spicer Cove	Memphis Center for Rehab'n & Treatment 1734 Madison Ave	ADC Recovery and Counseling Center 4539 Winchester Rd
Raleigh Professional Associates (RPA) 2165 Spicer Cove	--	13.6 miles / 19 min.	12.4 mi. / 18 min.
Memphis Center for Rehab'n & Treatment 1734 Madison Ave	13.6 miles / 19 min.	--	8.7 miles / 20 min.
ADC Recovery and Counseling Center 4539 Winchester Rd	12.4 mi. / 18 min	8.7 miles / 20 min.	--

Source: Google Maps, 5-1-13

B.IV. ATTACH A FLOOR PLAN DRAWING FOR THE FACILITY WHICH INCLUDES PATIENT CARE ROOMS (NOTING PRIVATE OR SEMI-PRIVATE), ANCILLARY AREAS, EQUIPMENT AREAS, ETC.

See attachment B.IV.

IV. FOR A HOME CARE ORGANIZATION, IDENTIFY....

Not applicable. The application is not for a home care organization.

C(I) NEED

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C(I).1. DESCRIBE THE RELATIONSHIP OF THIS PROPOSAL TO THE IMPLEMENTATION OF THE STATE HEALTH PLAN AND TENNESSEE'S HEALTH: GUIDELINES FOR GROWTH.

A. PLEASE PROVIDE A RESPONSE TO EACH CRITERION AND STANDARD IN CON CATEGORIES THAT ARE APPLICABLE TO THE PROPOSED PROJECT. DO NOT PROVIDE RESPONSES TO GENERAL CRITERIA AND STANDARDS (PAGES 6-9) HERE.

B. APPLICATIONS THAT INCLUDE A CHANGE OF SITE FOR A HEALTH CARE INSTITUTION, PROVIDE A RESPONSE TO GENERAL CRITERION AND STANDARDS (4)(a-c).

General Criteria for Change of Site

(4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the Agency may consider, in addition to the foregoing factors, the following factors:

(a) *Need.* The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed site.

There is a practical need to move the facility. The current location has insufficient parking, a building that is not optimally maintained, and a clinic space that cannot increase if the program's enrollment ever increases.

The proposed new site is approximately 3 miles from the current site, within the same area of Memphis, and is accessible from the same I-240 Exit 8 that currently is used by many RPA patients. Existing and new patients can locate and use the proposed new site just as easily as they can access the current site.

(b) *Economic Factors.* The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

The proposed relocation has no impact on the cost of care for patients enrolled in this program.

(c) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

The applicant can complete renovation and preparation of the proposed location, while operating the program at its current location. The program will be relocated over a weekend. There will not be disruptive delays in any type of service, either counseling, dosing or testing.

Project-Specific Review Criteria: Non-Residential Methadone Treatment Facilities

Note: These Guidelines requiring the applicant's response are very old Guidelines that pre-date the TDH Commissioner's 2002 Report to the General Assembly on methadone programs. That Report drew on all available expert literature and concerned State agencies and healthcare professionals, and concluded that these Guidelines were obsolete and in need of updating.

Since that time, the Tennessee Department of Mental Health and Substance Abuse Services has assumed responsibility for licensing and strict oversight of methadone programs in Tennessee, through its Methadone Authority office. The General Assembly has recently passed updated legislation addressing these programs, and the Department has recently promulgated detailed, updated rules and regulations that tightly control the quality of the programs. The applicant is owned by a company that is Tennessee's largest provider of OTP services through nine clinics across the State. All are accredited and all comply with Tennessee's high licensing standards.

A non-residential narcotic treatment facility should provide adequate medical, counseling, vocational, educational, mental health assessment, and social services to patients enrolled in the opioid treatment program with the goal of the individual becoming free of opioid dependency.

Complies. The project follows strict rules of the Department of Mental Health and Substance Abuse Services in all the above categories of its operation. As required by State rules, the clinic is medically supervised by a Board-certified physician Medical Director who has extensive experience and expertise in opioid dependency. The program provides continuous and intensive counseling, support services, and mental health

assessments aimed at helping the patient become free of opioid dependency as soon as possible, and to manage life successfully on methadone maintenance, until that time. This includes educational services delivered through the counseling staff and referral to vocational services. The accreditation team found that this program provides good service to its patients.

Need

The need for non-residential narcotic treatment facilities should be based on information prepared by the applicant for CON, which acknowledges the importance of considering demand for services along with need, and addressing and analyzing service problems as well.

Complies. This is an existing program depended on by approximately 250 patients per day. It needs to relocate in order to provide an improved physical environment for its patients.

The assessment should cover the proposed service area and include the utilization of existing service providers, scope of services provided, patient origin, and patient mix.

Not applicable. This is a change of site application that does not involve the initiation of a reviewable program or any significant change in the existing program or its enrollment. However, the applicant has provided its historic and projected utilization and data in another section of the application.

The assessment should consider that the users of opiate drugs are the clients at non-residential narcotic treatment facilities, and because of the illegal nature of opiate drug use, data will be based on estimates, actual counts, arrests for drug use, and hospital admittance for drug use.

Not applicable because an area needs assessment is not required for a CON to change sites. In addition, narcotic arrest data is not sufficiently opioid-specific to be of use in an assessment. Data on hospital admissions for drug use not available to an applicant who is not a hospital participating in the THA database project. However, such programs are not designed for long-term outpatient behavioral modification and support through counseling as well as through substitution medication.

The assessment should also include:

- 1. A description of the geographic area to be served by the program;**
- 2. Population of the area to be served;**
- 3. The estimated number of persons, in the described area, addicted to heroin or other opioid drugs and an explanation of the basis of the estimate;**
- 4. The estimated number of persons, in the described area, addicted to heroin or other opioid drugs presently under treatment in methadone and other treatment programs;**
- 5. Projected rate of intake and factors controlling intake;**
- 6. Compare estimated need to existing capacity.**

Not applicable. There is no needs assessment required for a relocation of an existing provider. However, the applicant has provided service area and population data in other parts of this application.

Also, consideration should be given to the reality that existing facilities can expand or reduce their capacity to maintain or treat patients without large changes in overhead.

Not applicable to a change in site application for an OTP facility. It should also be noted that a CON review cannot identify or verify the ability of alternative OTP providers to provide such expansions without large changes in overhead.

Service Area

The geographic service area should be reasonable and based on an optimal balance between population density and service proximity.

Complies. The applicant's proposed service area was defined by recent historical utilization of the applicant's own program.

The relationship of the socio-demographics of the service area and the projected population to receive services should be considered. The proposal's sensitivity to and the responsiveness to the special needs of the service area should be considered including accessibility to consumers, particularly women, racial and ethnic minorities, and low-income groups.

Complies. Opioid dependency occurs in every adult age group and socio-economic level of our population. There is no particular age group between 20 and 64 that merits special consideration. Older persons rarely enter this program because their opioid dependencies usually have caused their deaths before age 65; dependent persons

typically have 30-40% shorter life expectancies than their peers. For example, in this Memphis program, only approximately 5.6% of patients are 65 years of age or older.

The Memphis BHG programs are open to all of the above-named “special needs” groups. Gender, race, ethnicity, and income are not considered in admission decisions. In a study of the increasing national abuse of pain relief medications from 1994 through 2008, the U.S. Substance Abuse and Mental Health Services Administration stated that *“Increases in percentages of admissions [to hospital ER's] reporting pain reliever abuse cut across age, gender, race/ethnicity, education, employment, and region.”* (TEDS Report, July 15, 2010). Admission to this clinic’s program is based solely on clinical criteria and the prospective patient's commitment to comply with the requirements of the treatment program (drug testing, counseling, daily purchase and ingestion of prescribed medication, absence of prohibited substances in the blood, consent to coordinate care, etc.).

It should be noted that to be eligible to enter opioid treatment programs, all persons must be found to be opioid-dependent for more than a year. This means that the vast majority of opioid-dependent persons have been actively purchasing illicit drugs (that are four to six times more expensive) on the street. Switching to structured replacement therapy with methadone or buprenorphine reduces their expenses (unless the commute to the clinic imposes such steep transportation expenses that then offset those savings). Thus, having a private-pay program is not a barrier to care; and it is the norm in Tennessee programs. Users tend to have sufficient incomes to afford this program. That seems to be why Tennessee State Government declines to help TennCare-eligible adults over 20 years of age pay for methadone maintenance in a State-approved program, although it licenses and strictly regulates those programs.

Relationship to Existing Applicable Plans

The proposal’s estimate of the number of patients to be treated, anticipated revenue from the proposed project, and the program funding source with description of the organizational structure of the program delineating the person(s) responsible for the program, should be considered.

Complies. The projection is consistent with current and historical utilization trends of the facility that seeks to relocate. All facility revenue is private pay. The project funding will come from the applicant LLC. The structure of the program is detailed in the Program Summary.

The persons responsible on a daily basis for the program's operation will be the Program Director. BHG's Regional Director and a Director of Quality Compliance and Assurance will continually monitor the facility and Director and assist as needed.

The proposal's relationship to policy as formulated in local and national plans, including need methodologies, should be considered.

Complies. The applicant does not know of a formal "need methodology" either locally or nationally. In Tennessee, however, the 2002 Commissioner's Report has been the de facto State policy guide regarding the need for OTP's, and it calls for Statewide distribution of licensed OTP's at convenient locations within an hour's drive time of patients. Federal agencies consistently endorse regulated opioid treatment programs as the most effective means of dealing with the major national problem with opioid dependency.

This project simply allows an existing, accredited, licensed program to continue in operation at a different, but nearby, location.

The proposal's relationship to underserved geographic areas and underserved population groups, as identified in local plans and other documents, should be a significant consideration.

Not applicable. The change of site is not subject to review as to need.

The impact of the proposal on similar services supported by State appropriations should be assessed and considered.

Complies. There are no similar facilities in the Memphis area that are supported by State appropriation. No Tennessee OTP programs will be adversely impacted by this proposed change of site of an existing OTP facility.

The applicant has no means of identifying project impact on the treatment of opioid dependents who are admitted to residential programs in hospitals or other facilities who might be covered by TennCare or Medicare. However, these inpatient programs are much more expensive than licensed nonresidential OTP's operated by this applicant.

The degree of projected financial participation in the Medicare and TennCare programs should be considered.

The applicant will not contract with Medicare or TennCare because so few patients aged 65+, and so few eligible TennCare enrollees 18-20 years of age (18 is the minimum age for the clinic and 20 is the maximum age for TennCare) seek enrollment for treatment. However, both groups will be served on a private pay basis and TennCare patients aged 18-20 are eligible to claim reimbursement from their MCO's. See Section A.13 for a more complete discussion.

The Framework for Tennessee's Comprehensive State Health Plan

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Five Principles for Achieving Better Health

The following Five Principles for Achieving Better Health serve as the basic framework for the State Health Plan. After each principle, the applicant states how this CON application supports the principle, if applicable.

1. Healthy Lives

The purpose of the State Health Plan is to improve the health of Tennesseans.

Every person's health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

The programs improve the health of patients who are opioid-dependent. Without such a program, their bodies would deteriorate steadily and their lives would be shortened significantly. The programs enable compliant patients to resume normal and productive lives in their communities.

2. Access to Care

Every citizen should have reasonable access to health care.

Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.

The applicant is proposing to change locations to give its patients a better building in which to receive care, and to improve its accessibility. This patient population comes to this facility many times a month (usually daily) and needs efficient access to services.

3. Economic Efficiencies

The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system. The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.

The proposed change of location will allow the applicant to offer its program in an improved physical setting, with better parking and a more professional appearance.

4. Quality of Care

Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers. Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.

This program is carefully regulated by the Tennessee Department of Mental Health and Substance Abuse Services (TDMHSAS). The Department's operational regulations for this type of clinic are 44 pages in length. They are designed to ensure high staff competencies and to ensure that all staff follow best practices. The applicant's parent organization, BHG, also requires continuous staff training in all aspects of this type of patient care.

5. Health Care Workforce

The state should support the development, recruitment, and retention of a sufficient and quality health care workforce. The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.

This facility is not involved with local health professional training programs on-site; but the facility's staff members are required by BHG to continuously educate and train themselves in best practices in this type of care.

C(I).2. DESCRIBE THE RELATIONSHIP OF THIS PROJECT TO THE APPLICANT'S LONG-RANGE DEVELOPMENT PLANS, IF ANY.

The applicant is not a hospital that prepares long-range development plans.

C(1).3. IDENTIFY THE PROPOSED SERVICE AREA AND JUSTIFY THE REASONABLENESS OF THAT PROPOSED AREA. SUBMIT A COUNTY-LEVEL MAP INCLUDING THE STATE OF TENNESSEE CLEARLY MARKED TO REFLECT THE SERVICE AREA. PLEASE SUBMIT THE MAP ON A 8-1/2" X 11" SHEET OF WHITE PAPER MARKED ONLY WITH INK DETECTABLE BY A STANDARD PHOTOCOPIER (I.E., NO HIGHLIGHTERS, PENCILS, ETC.).

The applicant's total service area consists of a large number of counties near Memphis, located in Tennessee, Mississippi, Arkansas, and Georgia. Approximately 82% of the applicant's patients reside in Tennessee. Shelby, Fayette, and Tipton Counties are this facility's primary service area, because they generate approximately 96% of the clinic's Tennessee patients, and approximately 79% of its total patients. Approximately 15% of the clinic's total patients reside in Mississippi, with more in DeSoto County than in any other county.

Table Two, following this page, provides patient origin data by county. A service area map and a map showing the location of the service within the State of Tennessee are provided as Attachments C, Need--3 at the back of the application.

Table Two: Raleigh Professional Associates Patient Origin 2013					
County	Patients	Percent of TN Total	Cumulative Percent of TN Total	Percent of Grand Total	Cumulative Percent of Grand Total
Shelby	154	74.0%	74.0%	60.6%	60.6%
Tipton	25	12.0%	86.1%	9.8%	70.5%
Fayette	21	10.1%	96.2%	8.3%	78.7%
6 Other TN Counties <4 each	8	3.8%	100.0%	3.1%	81.9%
<i>Subtotal, 10 TN Counties</i>	<i>208</i>	<i>100.0%</i>		<i>81.9%</i>	
Mississippi (10 counties)	38			15.0%	96.9%
Arkansas (4 counties)	5			2.0%	98.8%
Other States	3			1.2%	100.0%
<i>Subtotal, Non-TN Residents</i>	<i>46</i>			<i>18.1%</i>	
<i>Grand Total</i>	<i>254</i>			<i>100.0%</i>	

Source: BHG Management

C(1).4.A DESCRIBE THE DEMOGRAPHICS OF THE POPULATION TO BE SERVED BY THIS PROPOSAL.

See Table Three on the following page for demographic trends in the primary service area (PSA) population, compared to the statewide population.

The table shows that the PSA population age 18+ will increase by 3.3% between now and 2017, while that age group Statewide will increase by 3.4% in the same period. The PSA population age 18+ now comprises 73.4% of the PSA total population; and this will increase slightly to 73.6% in 2017. Tennessee residents aged 18+ now comprise 77.3% of the statewide population, and this will be unchanged through 2017.

The primary service area has lower poverty rates than the State--15.7% compared to 16.9%. A larger percent of the PSA 18+ population is in TennCare--9.4% compared to 8.1% Statewide.

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Table Three: Demographic Characteristics of Primary Service Area Of Raleigh Professional Associates 2013-2017					
Demographic	Shelby County	Fayette County	Tipton County	PRIMARY SERVICE AREA	STATE OF TENNESSEE
Median Age-2010 US Census	34.6	41.9	36.6	37.7	38.0
Total Population- 2013	956,126	39,818	63,857	1,059,801	6,361,070
Total Population-2017	983,298	41,841	67,365	1,092,504	6,575,165
Total Population-% Change 2013 to 2017	2.8%	5.1%	5.5%	3.1%	3.4%
Age 18+ Population-2013	699,416	30,905	47,938	778,259	4,915,393
% of Total Population	73.2%	77.6%	75.1%	73.4%	77.3%
Age 18+ Population-2017	720,498	32,772	50,756	804,026	5,083,466
% of Population	73.3%	78.3%	75.3%	73.6%	77.3%
Age 18+ Population-% Change 2013-2017	3.0%	6.0%	5.9%	3.3%	3.4%
Median Household Income	\$46,102	\$57,437	\$50,869	\$46,102	\$43,989
TennCare Enrollees >18 (12/12)	91,096	3,773	4,614	99,483	514,384
Percent of 2013 Population >18, Enrolled in TennCare	9.5%	9.5%	7.2%	9.4%	8.1%
Persons 18+ Below Poverty Level (2012)	140,583	3,616	7,335	122,187	830,701
Persons Below Poverty Level As % of Population	20.1%	11.7%	15.3%	15.7%	16.9%

Sources: TDH Population Projections, Feb. 2008; U.S. Census QuickFacts and FactFinder2; TennCare Bureau. PSA data is total, or unweighted average, of county data.
NR means not reported in U.S. Census source document.

C(I).4.B. DESCRIBE THE SPECIAL NEEDS OF THE SERVICE AREA POPULATION, INCLUDING HEALTH DISPARITIES, THE ACCESSIBILITY TO CONSUMERS, PARTICULARLY THE ELDERLY, WOMEN, RACIAL AND ETHNIC MINORITIES, AND LOW-INCOME GROUPS. DOCUMENT HOW THE BUSINESS PLANS OF THE FACILITY WILL TAKE INTO CONSIDERATION THE SPECIAL NEEDS OF THE SERVICE AREA POPULATION.

Opioid addiction is found in all ages and socioeconomic and ethnic groups. The services of this facility are, and will continue to be, provided to all members of the above groups who qualify medically and who accept the disciplines of the program.

Financial accessibility is broadly assured, and better than other alternatives, because the monthly costs of obtaining substitution medications in a structured program like this are significantly lower than the same patients had been paying in cash for access to illicitly sold pharmaceuticals “on the street”.

C(1).5. DESCRIBE THE EXISTING OR CERTIFIED SERVICES, INCLUDING APPROVED BUT UNIMPLEMENTED CON'S, OF SIMILAR INSTITUTIONS IN THE SERVICE AREA. INCLUDE UTILIZATION AND/OR OCCUPANCY TRENDS FOR EACH OF THE MOST RECENT THREE YEARS OF DATA AVAILABLE FOR THIS TYPE OF PROJECT. BE CERTAIN TO LIST EACH INSTITUTION AND ITS UTILIZATION AND/OR OCCUPANCY INDIVIDUALLY. INPATIENT BED PROJECTS MUST INCLUDE THE FOLLOWING DATA: ADMISSIONS OR DISCHARGES, PATIENT DAYS, AND OCCUPANCY. OTHER PROJECTS SHOULD USE THE MOST APPROPRIATE MEASURES, E.G., CASES, PROCEDURES, VISITS, ADMISSIONS, ETC.

The applicant's program has been serving Memphis area patients for 26 years. Its primary Tennessee service area consists of Shelby, Fayette, and Tipton Counties. There are three OTP clinics in Shelby County, serving a number of counties in West Tennessee and adjoining counties in Mississippi and Arkansas. All three are BHG-owned clinics: Memphis Center for Research and Addiction Treatment (MCRAT), ADC Recovery and Counseling Center (ADC), and Raleigh Professional Associates (RPA). These three are geographically distributed over Memphis in a triangular configuration, with MCRAT being downtown, ADC located to the southeast, and RPA located to the northeast.

Table Four: Distances and Drive Times (Same as Table One) Between BHG Memphis Facilities at Proposed Locations			
	Raleigh Professional Associates 2165 Spicer Cove	Memphis Center for Rehab'n & Treatment 1734 Madison Ave	ADC Recovery and Counseling Center 4539 Winchester Rd
Raleigh Professional Associates 2165 Spicer Cove	--	13.6 miles / 19 min.	12.4 mi. / 18 min.
Center for Rehab'n & Treatment 1734 Madison Ave	13.6 miles / 19 min.	--	8.7 miles / 20 min.
ADC Recovery and Counseling Center 4539 Winchester Rd	12.4 mi. / 18 min	8.7 miles / 20 min.	--

Source: Google Maps, 5-1-13

There are no other State-licensed OTP programs in West Tennessee closer than Dyer and Madison Counties, approximately 75 and 78 miles, respectively, north and east of Memphis.

Table Five: Utilization of OTP Providers in Primary Service Area 2010-2012			
Utilization/Facility	Center for Research and Addiction Treatment	ADC Recovery and Counseling	Raleigh Professional Associates
2010 Patients (Avg Daily Census)	395	253	234
2011 Patients (Avg Daily Census)	348	231	249
2012 Patients (Avg Daily Census)	353	249	272
2010 Visits/Encounters	144,218	92,480	85,487
2011 Visits/Encounters	127,229	84,404	90,968
2012 Visits/Encounters	128,963	91,337	97,149

Source: BHG Records

Programs in Adjoining States

The applicant believes that the closest such licensed facilities of this type are in Jackson, Mississippi, 211 miles south of Memphis; in Little Rock, Arkansas, 140 miles west of Memphis; and in Paducah, KY, 200 miles north of Memphis.

C(I).6. PROVIDE APPLICABLE UTILIZATION AND/OR OCCUPANCY STATISTICS FOR YOUR INSTITUTION FOR EACH OF THE PAST THREE (3) YEARS AND THE PROJECTED ANNUAL UTILIZATION FOR EACH OF THE TWO (2) YEARS FOLLOWING COMPLETION OF THE PROJECT. ADDITIONALLY, PROVIDE THE DETAILS REGARDING THE METHODOLOGY USED TO PROJECT UTILIZATION. THE METHODOLOGY MUST INCLUDE DETAILED CALCULATIONS OR DOCUMENTATION FROM REFERRAL SOURCES, AND IDENTIFICATION OF ALL ASSUMPTIONS.

The applicant's historic and projected utilization data are in Tables Six-A and Six-B below. The applicant has projected 2013 by annualizing the first four months of CY2013.

Table Six-A: Raleigh Professional Associates Historical Utilization CY2010-CY2012			
	2010	2011	2012
Average Daily Census for the Year	234	249	272
Encounters (Doses) During the Year	85,487	90,968	97,149

Table Six-B: Raleigh Professional Associates Projected Utilization CY2013-CY2015			
	2013 Ann'd	Yr 1- CY2014	Yr 2- CY2015
Average Daily Census for the Year	259	260	260
Encounters (Doses) During the Year	93,240	94,900	94,900

C(II)1. PROVIDE THE COST OF THE PROJECT BY COMPLETING THE PROJECT COSTS CHART ON THE FOLLOWING PAGE. JUSTIFY THE COST OF THE PROJECT.

- **ALL PROJECTS SHOULD HAVE A PROJECT COST OF AT LEAST \$3,000 ON LINE F (MINIMUM CON FILING FEE). CON FILING FEE SHOULD BE CALCULATED ON LINE D.**

- **THE COST OF ANY LEASE (BUILDING, LAND, AND/OR EQUIPMENT) SHOULD BE BASED ON FAIR MARKET VALUE OR THE TOTAL AMOUNT OF THE LEASE PAYMENTS OVER THE INITIAL TERM OF THE LEASE, WHICHEVER IS GREATER. NOTE: THIS APPLIES TO ALL EQUIPMENT LEASES INCLUDING BY PROCEDURE OR "PER CLICK" ARRANGEMENTS. THE METHODOLOGY USED TO DETERMINE THE TOTAL LEASE COST FOR A "PER CLICK" ARRANGEMENT MUST INCLUDE, AT A MINIMUM, THE PROJECTED PROCEDURES, THE "PER CLICK" RATE AND THE TERM OF THE LEASE.**

- **THE COST FOR FIXED AND MOVEABLE EQUIPMENT INCLUDES, BUT IS NOT NECESSARILY LIMITED TO, MAINTENANCE AGREEMENTS COVERING THE EXPECTED USEFUL LIFE OF THE EQUIPMENT; FEDERAL, STATE, AND LOCAL TAXES AND OTHER GOVERNMENT ASSESSMENTS; AND INSTALLATION CHARGES, EXCLUDING CAPITAL EXPENDITURES FOR PHYSICAL PLANT RENOVATION OR IN-WALL SHIELDING, WHICH SHOULD BE INCLUDED UNDER CONSTRUCTION COSTS OR INCORPORATED IN A FACILITY LEASE.**

- **FOR PROJECTS THAT INCLUDE NEW CONSTRUCTION, MODIFICATION, AND/OR RENOVATION; DOCUMENTATION MUST BE PROVIDED FROM A CONTRACTOR AND/OR ARCHITECT THAT SUPPORT THE ESTIMATED CONSTRUCTION COSTS.**

The architect's letter supporting the construction cost estimate is provided in Attachment C, Economic Feasibility--1. On the Project Costs Chart, following this response:

Line A.1, A&E fees, were estimated by BHG management.

Line A.2, legal, administrative, and consultant fees, include a contingency for expenses of dealing with potential opposition in hearings, as well as for legal costs of leasing the project site.

Line A.5, construction cost, was estimated by BHG development staff, based on preliminary drawings, inspection of the building site, and current experience with similar projects.

Line A.6, contingency, was estimated at 5% of construction costs in line A.5.

Lines A.8 provides for a small amount of new equipment and furnishings for the expanded space.

Line A.9 includes such costs as information systems and telecommunications installations.

Line B1 is the fair market value of the leased space, the higher of the two calculations required by HSDA staff. Please see the spreadsheet calculations attached after the Project Cost Chart.

PROJECT COSTS CHART -- RALEIGH PROFESSIONAL ASSOCIATES

A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees	8% OF A.5	\$	41,160
2. Legal, Administrative, Consultant Fees (Excl CON Filing)			60,000
3. Acquisition of Site			0
4. Preparation of Site			0
5. Construction Cost	7,350 SF @ \$70 PSF		514,500
6. Contingency Fund	5% OF A.5		25,725
7. Fixed Equipment (Not included in Construction Contract)			0
8. Moveable Equipment (List all equipment over \$50,000)			30,000
9. Other (Specify)	IT, telecommunications		15,000

B. Acquisition by gift, donation, or lease:

1. Facility (inclusive of building and land)	lease cost		447,520
2. Building only			0
3. Land only			0
4. Equipment (Specify)			0
5. Other (Specify)			0

C. Financing Costs and Fees:

1. Interim Financing			0
2. Underwriting Costs			0
3. Reserve for One Year's Debt Service			0
4. Other (Specify)			0

D. Estimated Project Cost (A+B+C)			1,133,905
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E. CON Filing Fee			3,000
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F. Total Estimated Project Cost (D+E)	TOTAL \$		1,136,905
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Actual Capital Cost	689,385
Section B FMV	447,520

RPA Memphis

RPA Lease Outlay Calculation (125 mo.; 6 mos. Free)				
Lease Year	Mo. Of Rent	Rent/Month	Outlay	
1.0	4.00	\$3,454.00	\$13,816.00	
2.0	12.00	\$3,557.62	\$42,691.44	
3.0	12.00	\$3,664.34	\$43,972.08	
4.0	12.00	\$3,774.27	\$45,291.24	
5.0	12.00	\$3,887.49	\$46,649.88	
6.0	12.00	\$4,004.11	\$48,049.32	
7.0	12.00	\$4,124.23	\$49,490.76	
8.0	12.00	\$4,247.95	\$50,975.40	
9.0	12.00	\$4,375.38	\$52,504.56	
10.0	12.00	\$4,506.64	\$54,079.68	
Total			\$447,520.36	

Lease Yr = Mar-Feb; starts Mar 1, 2013

ADC FMV Calculation	
Leasehold SF	7,350.00
Building SF	16,806.00
% Leased	43.7%
Bldg FMV	\$750,000.00
Leasehold FMV	\$328,007.85

Rent Paid OPERATIONAL Yrs 1-2*					
Operat'l Year	Jan Rate	1 Mos. Rent	Feb-Dec Rate	11 mos. Rent	Annual Rent
Yr 1-2014	\$3,454.00	\$3,454.00	\$3,557.62	\$39,133.82	\$42,587.82
Yr 2-2015	\$3,557.62	\$3,557.62	\$3,664.34	\$40,307.74	\$43,865.36

C(II).2. IDENTIFY THE FUNDING SOURCES FOR THIS PROJECT.

a. PLEASE CHECK THE APPLICABLE ITEM(S) BELOW AND BRIEFLY SUMMARIZE HOW THE PROJECT WILL BE FINANCED. (DOCUMENTATION FOR THE TYPE OF FUNDING MUST BE INSERTED AT THE END OF THE APPLICATION, IN THE CORRECT ALPHANUMERIC ORDER AND IDENTIFIED AS ATTACHMENT C, ECONOMIC FEASIBILITY--2).

 A. Commercial Loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;

 B. Tax-Exempt Bonds--copy of preliminary resolution or a letter from the issuing authority, stating favorable contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;

 C. General Obligation Bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting;

 D. Grants--Notification of Intent form for grant application or notice of grant award;

 x **E. Cash Reserves--Appropriate documentation from Chief Financial Officer; or**

 F. Other--Identify and document funding from all sources.

Attachment C, Economic Feasibility--2, contains a financing commitment letter from senior management of BHG, the applicant's parent, and documentation that there are sufficient resources to fund the project.

C(II).3. DISCUSS AND DOCUMENT THE REASONABLENESS OF THE PROPOSED PROJECT COSTS. IF APPLICABLE, COMPARE THE COST PER SQUARE FOOT OF CONSTRUCTION TO SIMILAR PROJECTS RECENTLY APPROVED BY THE HSDA.

The space to be leased is in good condition. The estimated \$514,500 renovation cost is \$70 PSF, to create 7,350 SF of clinic space.

There are no meaningful comparisons available, for projects involving office space or commercial-grade renovation. Costs vary greatly depending on the condition of the office space being acquired. The CON approved in 2011 to relocate the Memphis Center for Rehabilitation and Treatment projected only \$14.29 PSF for its renovation. The approved new OTP facility in Columbia (CN0905-020) projected a renovation cost of \$35.45 PSF construction cost.

C(II).4. COMPLETE HISTORICAL AND PROJECTED DATA CHARTS ON THE FOLLOWING TWO PAGES--DO NOT MODIFY THE CHARTS PROVIDED OR SUBMIT CHART SUBSTITUTIONS. HISTORICAL DATA CHART REPRESENTS REVENUE AND EXPENSE INFORMATION FOR THE LAST THREE (3) YEARS FOR WHICH COMPLETE DATA IS AVAILABLE FOR THE INSTITUTION. PROJECTED DATA CHART REQUESTS INFORMATION FOR THE TWO YEARS FOLLOWING COMPLETION OF THIS PROPOSAL. PROJECTED DATA CHART SHOULD INCLUDE REVENUE AND EXPENSE PROJECTIONS FOR THE PROPOSAL ONLY (I.E., IF THE APPLICATION IS FOR ADDITIONAL BEDS, INCLUDE ANTICIPATED REVENUE FROM THE PROPOSED BEDS ONLY, NOT FROM ALL BEDS IN THE FACILITY).

See the following pages for these charts, with notes where applicable.

HISTORICAL DATA CHART -- RALEIGH PROFESSIONAL ASSOCIATES

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Give information for the last three (3) years for which complete data are available for the facility or agency.

The fiscal year begins in January.

		Year 2010	Partial 2011*	Year 2012
	Patients		266	285
	Encounters		10,907	104,119
A.	Utilization Data			
B.	Revenue from Services to Patients			
1.	Inpatient Services	\$		
2.	Outpatient Services		126,455	1,261,558
3.	Emergency Services			
4.	Other Operating Revenue			
	(Specify) See notes			
	Gross Operating Revenue	\$ 0	\$ 126,455	\$ 1,261,558
C.	Deductions for Operating Revenue			
1.	Contractual Adjustments	\$	0	0
2.	Provision for Charity Care		1,897	18,923
3.	Provisions for Bad Debt		3,161	31,539
	Total Deductions	\$ 0	\$ 5,058	\$ 50,462
	NET OPERATING REVENUE	\$ 0	\$ 121,397	\$ 1,211,096
D.	Operating Expenses			
1.	Salaries and Wages	\$	54,356	\$ 482,357
2.	Physicians Salaries and Wages		13,375	144,200
3.	Supplies		5,312	47,227
4.	Taxes		5,806	44,083
5.	Depreciation		827	201,747
6.	Rent		3,426	37,166
7.	Interest, other than Capital		0	0
8.	Management Fees			
	a. Fees to Affiliates		0	0
	b. Fees to Non-Affiliates		0	0
9.	Other Expenses (Specify) See notes		17,487	245,853
	Total Operating Expenses	\$	100,589	1,202,633
E.	Other Revenue (Expenses) -- Net (Specify)	\$		\$
	NET OPERATING INCOME (LOSS)	\$ 0	\$ 20,808	\$ 8,463
F.	Capital Expenditures			
1.	Retirement of Principal	\$		\$
2.	Interest			184,781
	Total Capital Expenditures	\$ 0	\$ 0	\$ 184,781
	NET OPERATING INCOME (LOSS)			
	LESS CAPITAL EXPENDITURES	\$ 0	\$ 20,808	\$ (176,318)

*2011 reflects operations from 11/21/11-12/31/11; VCPHCS XXI, LLC acquired the treatment facility on 11/21/11

Notes to D9, Other Expenses:

<u>Category of Expense</u>	<u>2010</u>	<u>2011*</u>	<u>2012</u>
<u>Insurance</u>			
Insurance			
Liability & Contents		287	6,036
Workers Compensation		155	2,380
Employee Health/Dental/Vision		991	39,728
401k		488	5,757
Lab Fees		2,601	32,042
Maintenance		945	14,607
Training & Education		-	210
Security		983	37,607
Licenses & Permits		2,627	6,302
Office Expense		2,191	21,647
Utilities		372	7,806
Telecommunications		2,237	17,696
Practice Management Software		260	5,685
Miscellaneous (1)		3,350	32,186
Corporate Overhead Allocation		-	16,164
Total		17,487	245,853

(1) Includes advertising, bank fees, dues & subscriptions, employee recruitment, office supplies, etc.

*2011 reflects operations from 11/21/11-12/31/11; VCPHCS XXI, LLC acquired the treatment facility on 11/21/11

PROJECTED DATA CHART -- RALEIGH PROFESSIONAL ASSOCIATES

Give information for the two (2) years following the completion of this proposal.

The fiscal year begins in January.

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		Year 2014	Year 2014
		260	260
A.	Utilization Data	94,900	94,900
B.	Revenue from Services to Patients		
1.	Inpatient Services	\$	\$
2.	Outpatient Services	1,284,400	1,324,960
3.	Emergency Services		
4.	Other Operating Revenue (Specify)		
	Gross Operating Revenue	\$ 1,284,400	\$ 1,324,960
C.	Deductions for Operating Revenue		
1.	Contractual Adjustments	\$	\$
2.	Provision for Charity Care	19,266	19,874
3.	Provisions for Bad Debt	32,110	33,124
	Total Deductions	\$ 51,376	\$ 52,998
	NET OPERATING REVENUE	\$ 1,233,024	\$ 1,271,962
D.	Operating Expenses		
1.	Salaries and Wages	\$ 497,125	\$ 512,039
2.	Physicians Salaries and Wages	68,640	70,356
3.	Supplies	38,500	40,000
4.	Taxes	49,713	51,204
5.	Depreciation	125,000	100,000
6.	Rent	78,000	78,000
7.	Interest, other than Capital	-	-
8.	Management Fees		
a.	Fees to Affiliates	0	0
b.	Fees to Non-Affiliates	0	0
9.	Other Expenses (Specify)	245,200	257,850
	Total Operating Expenses	\$ 1,102,178	\$ 1,109,449
E.	Other Revenue (Expenses) -- Net (Specify)	\$	\$
	NET OPERATING INCOME (LOSS)	\$ 130,846	\$ 162,513
F.	Capital Expenditures		
1.	Retirement of Principal	\$ 0	\$ 0
2.	Interest	135,000	100,000
	Total Capital Expenditures	\$ 135,000	\$ 100,000
	NET OPERATING INCOME (LOSS)		
	LESS CAPITAL EXPENDITURES	\$ (4,154)	\$ 62,513

See notes

Notes to D9, Other Expenses:

<u>Category of Expense</u>	<u>2014</u>	<u>2015</u>
Insurance		
Liability & Contents	6,100	6,200
Workers Compensation	2,500	2,000
Employee Health/Dental/Vision	41,000	43,000
401k	6,000	6,750
Lab Fees	33,500	34,750
Maintenance	10,000	11,250
Training & Education	2,500	3,000
Security	38,500	40,000
Licenses & Permits	6,400	6,400
Office Expense	16,200	17,400
Utilities	9,000	9,600
Telecommunications	18,000	19,500
Practice Management Software	6,000	6,000
Miscellaneous (1)	33,000	35,000
Corporate Overhead Allocation	<u>16,500</u>	<u>17,000</u>
Totals	245,200	257,850

(1) Includes advertising, bank fees, dues & subscriptions, employee recruitment, office supplies, etc.

C(II).5. PLEASE IDENTIFY THE PROJECT'S AVERAGE GROSS CHARGE, AVERAGE DEDUCTION FROM OPERATING REVENUE, AND AVERAGE NET CHARGE.

Table Seven: Raleigh Professional Associates Projected Charge Data for Years One and Two		
	Year One	Year Two
Patients (Average Daily Census)	260	260
Average Gross Charge Per Patient	\$4,940	\$5,096
Average Deduction from Operating Revenue	\$198	\$204
Average Net Charge (Net Operating Revenue)	\$4,742	\$4,892

It is not possible to identify the average length of stay and average patient charge per program completion. Opioid treatment programs have varying lengths of stay and "completion" is not a concept applicable to all patients. Addiction has physical and psychological dimensions. Methadone addresses the physical addiction. In some cases it can allow brain receptors to begin operating more normally in 12 to 16 months. Its efficacy depends on how long the patient's addiction has existed, and the amounts and types of substances abused, prior to beginning treatment. If the patient's addiction has existed for years, brain receptors may be sufficiently altered such that lifetime medication maintenance is needed. Moreover, the psychological dimensions of addiction, reinforced by the patient's environment, often take a long time to deal with. Failure to progress in that area can lead to the resumption of addictive behavior. BHG encourages every patient to achieve and maintain sobriety--whether that be while maintaining maintenance with methadone, or after tapering off a daily medication maintenance regimen. While some patients do successfully taper off replacement medication, many patients find they need to be in a program indefinitely and are high functioning (drug and disease free) while remaining in treatment. BHG's analysis of its patients in 2010 indicated that 65% of them had been enrolled for more than one year, and 35% had been enrolled for a year or less. No other historical information is available. Some patients leave the program after a period of time for undisclosed reasons making it difficult to learn if a patient has moved to another similar clinic or a different type of treatment (e.g., inpatient treatment or intensive outpatient counseling).

C(II).6.A. PLEASE PROVIDE THE CURRENT AND PROPOSED CHARGE SCHEDULES FOR THE PROPOSAL. DISCUSS ANY ADJUSTMENT TO CURRENT CHARGES THAT WILL RESULT FROM THE IMPLEMENTATION OF THE PROPOSAL. ADDITIONALLY, DESCRIBE THE ANTICIPATED REVENUE FROM THE PROPOSED PROJECT AND THE IMPACT ON EXISTING PATIENT CHARGES.

With respect to the charge per dose for methadone itself, there is not a separate charge per dose. The clinic's weekly or daily charge its patients includes all medications, unlimited individual and group counseling sessions, unlimited physician visits (Medical Director), laboratory tests as needed, case management of medical issues, assistance with daily life activities, job searches, and educational opportunities. In all OTP clinics, each patient's annual charges vary with the amount of counseling and testing required by his or her individual treatment plan. Below is a comparison of BHG's current weekly charge at each of its Tennessee facilities as of today. As noted below, this typically increases at BHG facilities by \$3.00-\$4.00 annually each summer. The current detailed fee/charge schedule for the applicant is provided following this page.

	<u>Current Routine Weekly Charge*</u>
Memphis Center for Research and Addiction Treatment	\$98
ADC Recovery and Counseling Center, Memphis	\$98
Jackson Professional Associates	\$98
Paris Professional Associates	\$98
Recovery of Columbia	\$95
Middle TN Treatment Center, Nashville	\$109
DRD Medical Clinic Central, Knoxville	\$116
DRD Medical Clinic Bernard, Knoxville	\$116

** The standard "weekly charge" is a per-patient charge covering the routine services to each patient. It does not include individually incurred charges for such things as positive drug screens, annual physicals, replacement ID cards, or bottle services.*

BHG usually increases its weekly program fee approximately \$3.00-\$4.00 per year. This increase goes into effect each summer. Other charges listed in the schedule are non-routine charges. The relocation of this program will not impose any new costs that will impact the charge structures of the program.

BEHAVIORAL HEALTH GROUP—MEMPHIS

PROGRAM FEES 2012-2013

Basic Services		Description	Fee	Basis
Admission & Induction (Option 1 - pay up front)		Admission into MMT/LTD; includes history and physical, blood work, drug screen, and related documentation	\$ 60.00	One-Time
Admission & Induction (Option 2 - pay over time)		Admission into MMT/LTD; includes history and physical, blood work, drug screen, and related documentation	\$ 72.00	One-Time
Methadone Maintenance Treatment (MMT)		Methadone maintenance treatment includes methadone, counseling, and related administration	\$ 98.00	Weekly
Annual Physical		Annual physical and blood work (begins 2nd year in treatment and is paid on anniversary date)	\$ 30.00	Annually
Additional Products & Services		Description	Fee	Basis
Jail/Hospital Dosing Setup Fee		Fee to cover the cost of documentation and approvals required for on-site dosing services at jail, hospital, etc.	\$ 20.00	One-Time
Jail/Hospital Dosing Fee		Daily fee required for on-site dosing services at jail, hospital, etc.	\$ 14.00	Daily
Jail/Hospital Dosing Mileage Reimbursement Fee		Rate per mile (roundtrip) charged for on-site dosing services at jail, hospital, etc.	\$ 0.50	Per Mile
Individual Aftercare Counseling		Fee per individual counseling session - maximum session = 1 hour	\$ 50.00	Per Each
Group Individual Aftercare Counseling		Fee per group counseling session - maximum session = 1 hour	\$ 25.00	Per Each
Temporary Transfers		(see schedule below)		
Guest Dose - Setup (Non-BHG Pt.)		Annual setup for new temporary transfer patients (covers administrative costs of documentation, verification, etc.)	\$ 25.00	Per Each
Guest Dose - Daily Dosing (Non-BHG Pt.)		Daily dosing for temporary transfer patients	\$ 15.00	Daily
Guest Dose - Setup (BHG Pt.)		Annual transfer setup fee for BHG patient who will be temporarily attending a BHG sister clinic	\$ 15.00	Per Each
Guest Dose - Daily Dosing (BHG Pt.)		Daily dosing for existing BHG patient at a BHG sister clinic	Home Clinic Rate	Daily
Outgoing Temp. Transfer Setup (BHG Pt.)		Documentation/verification services for BHG patient who will temporarily attend non-BHG clinic	\$ 15.00	Per Each
Non-Routine Blood Testing - Infectious Disease		Non-routine blood work (see schedule below)		
Hepatitis B Test		Bloodwork to test for the presence of Hepatitis B	\$ 15.00	Per Each
Hepatitis C Test		Bloodwork to test for the presence of Hepatitis C	\$ 21.00	Per Each
HIV Test		Bloodwork to test for the presence of HIV Virus	\$ 11.00	Per Each
Lipid Panel		Bloodwork to test for cholesterol & triglyceride levels	\$ 9.00	Per Each
Flu Vaccination		Influenza vaccination	\$ 20.00	Per Each
Hepatitis B Vaccination		Hepatitis B vaccination series	\$ 90.00	Per Each
Special Exceptions and Record Requests		Administrative processing of record(s) requested and/or regulatory approvals for special exception requests	\$ 25.00	Per Each
Lockbox		Purchase of lockbox from the clinic	\$ 20.00	Per Each
Employment Drug Testing		Drug screen for third-party employers	\$ 20.00	Per Each
Vitadone		One-month supply of Vitadone MMT-specific multivitamins	\$ 25.00	Per Each
Conditional Services & Fees		Description/ Precipitating Event	Fee	Basis
Appointment No Show Fee		Failure to keep scheduled appointment (with M.D., N.P. or fair hearing/ treatment team)	\$ 20.00	Per Each

Readmit Fee	Readmission documentation, drug screen, physician screening, and related documentation (< 90 days)	\$ 15.00	Per Each
Late Dosing Fee	Dosing within one hour of regularly scheduled dosing hours (in addition to weekly fee for services)	\$ 10.00	Per Each
After Hours Dosing Fee	Dosing more than one hour after regularly scheduled dosing hours/after the clinic is closed (in addition to weekly fee)	\$ 25.00	Per Each
Non-Routine Blood Testing - Infectious Disease	Non-routine blood work (see schedule below)		
Hepatitis B Test	Bloodwork to test for the presence of Hepatitis B	\$ 15.00	Per Each
Hepatitis C Test	Bloodwork to test for the presence of Hepatitis C	\$ 21.00	Per Each
HIV Test	Bloodwork to test for the presence of HIV Virus	\$ 11.00	Per Each
Non-Routine Blood Testing - Serum Levels	Non-routine blood work (see specific tests/fees below)		
Peak Test	Used to detect serum methadone levels	\$ 18.00	Per Each
Trough Test	Used to detect serum methadone levels	\$ 18.00	Per Each
Non-Routine Drug Testing	Specific, non-routine drug tests as required by compliance or as requested by patient (see schedule below)		
Positive Drug Tests	Fee for positive (+) drug tests (Grace periods following admission = 4 weeks for opiates and 8 weeks for all other illicit substances)	\$ 10.00	Per Each
Negative Follow-up Drug Tests	Fee for all compliance required follow-up drug tests that return a negative (-) result	\$ 6.00	Per Each
No Show Drug Tests	Fee for no show drug tests (Grace periods following admission = 4 weeks for opiates and 8 weeks for all other illicit substances)	\$ 6.00	Per Each
Guest Dose Drug Screen	Fee for guest dose patients who require drug tests during their guest dosing program	\$ 20.00	Per Each
Confirmation Drug Test (GCMS)	Fee charged for patient-requested GCMS test that is (+), a screen for a specific drug that is positive (e.g., SOMA), or a GCMS used to determine blood levels (e.g., THC)	\$ 12.00	Per Each
Lab Confirmed Oral Swab	Fee charged for oral drug screen that is confirmed by the lab or on-site oral test kit	\$ 8.00	Per Each
Replacement ID Card Fee	Fee charged for temporary and replacement ID cards	\$ 5.00	Per Each
Replacement Dose	Fee charged for replacing lost medication (in addition to the daily dosing fee for each dose being replaced)	\$ 15.00	Per Each
Lost Medication Bottle/Bag Fee	Fee charged to replace lost or missing medication bottle	\$ 5.00	Per Each
Bad Check Fee	Fee charged for bounced check/insufficient funds	\$ 25.00	Per Each
Pregnancy Test Fee	Fee charged to female patients for whom a pregnancy test is requested or required	\$ 7.00	Per Each

C(II).6.B. COMPARE THE PROPOSED CHARGES TO THOSE OF SIMILAR FACILITIES IN THE SERVICE AREA/ADJOINING SERVICE AREAS, OR TO PROPOSED CHARGES OF PROJECTS RECENTLY APPROVED BY THE HSDA. IF APPLICABLE, COMPARE THE PROJECTED CHARGES OF THE PROJECT TO THE CURRENT MEDICARE ALLOWABLE FEE SCHEDULE BY COMMON PROCEDURE TERMINOLOGY (CPT) CODE(S).

As demonstrated above, the charges for the applicant are, and will remain, generally comparable to those of the other four BHG facilities in Tennessee.

The applicant has no current information available on current charges of any provider other than BHG. The DMHSAS does not release information on these clinics. The only information available from HSDA records are from the last two CON applications approved for non-BHG providers. Those were in Columbia (Maury County) and in Paris (Henry County) before it was acquired by BHG. This is very old information that does not seem to provide a meaningful comparison, but nothing else appears to be available.

Table Eight: Comparative Charge Information			
	The Applicant Memphis	Recovery Center of Columbia CN0905-020	Paris Professional Associates CN0903-013
Year	2014	2009	2009
Patients	260	330	200
Avg. Gross Charge	\$4,940	\$4,822	\$4,000
Avg. Deductions	\$198	\$145	None listed
Avg. Net Operating Revenue	\$4,742	\$4,677	\$4,000

The Medicare allowable data is not relevant because this facility does not contract with Medicare for reimbursement.

C(II).7. DISCUSS HOW PROJECTED UTILIZATION RATES WILL BE SUFFICIENT TO MAINTAIN COST-EFFECTIVENESS.

This clinic is operational, with a well-established patient base. The applicant's projection of its utilization is conservative, at levels currently being experienced. The proposed relocation will not adversely impact the facility's overall utilization.

C(II).8. DISCUSS HOW FINANCIAL VIABILITY WILL BE ENSURED WITHIN TWO YEARS; AND DEMONSTRATE THE AVAILABILITY OF SUFFICIENT CASH FLOW UNTIL FINANCIAL VIABILITY IS MAINTAINED.

This clinic has been operating for many years with a positive cash flow. It has been, and will remain, financially viable with a positive cash flow. Its relocation to improved space will not adversely affect its viability.

C(II).9. DISCUSS THE PROJECT'S PARTICIPATION IN STATE AND FEDERAL REVENUE PROGRAMS, INCLUDING A DESCRIPTION OF THE EXTENT TO WHICH MEDICARE, TENNCARE/MEDICAID, AND MEDICALLY INDIGENT PATIENTS WILL BE SERVED BY THE PROJECT. IN ADDITION, REPORT THE ESTIMATED DOLLAR AMOUNT OF REVENUE AND PERCENTAGE OF TOTAL PROJECT REVENUE ANTICIPATED FROM EACH OF TENNCARE, MEDICARE, OR OTHER STATE AND FEDERAL SOURCES FOR THE PROPOSAL'S FIRST YEAR OF OPERATION.

The applicant does not anticipate contracting for TennCare or Medicare reimbursement for services, for reasons explained in section A.13 of the application. This operating model is true for all State-licensed opioid treatment programs. Almost no Medicare-age patients apply to these programs. Few TennCare enrollees of a qualified age (ages 18-20) apply for admission.

BHG does provide charitable care in the form of scholarships. Under those arrangements, medical care is provided to the patient free of charge, or at a reduced fee, for periods up to six months. Scholarships are evaluated on a case-by-case basis and awarded to approximately 1%-2% of enrollees.

C(II).10. PROVIDE COPIES OF THE BALANCE SHEET AND INCOME STATEMENT FROM THE MOST RECENT REPORTING PERIOD OF THE INSTITUTION, AND THE MOST RECENT AUDITED FINANCIAL STATEMENTS WITH ACCOMPANYING NOTES, IF APPLICABLE. FOR NEW PROJECTS, PROVIDE FINANCIAL INFORMATION FOR THE CORPORATION, PARTNERSHIP, OR PRINCIPAL PARTIES INVOLVED WITH THE PROJECT. COPIES MUST BE INSERTED AT THE END OF THE APPLICATION, IN THE CORRECT ALPHANUMERIC ORDER AND LABELED AS ATTACHMENT C, ECONOMIC FEASIBILITY--10.

These are provided as Attachment C, Economic Feasibility--10.

C(II)11. DESCRIBE ALL ALTERNATIVES TO THIS PROJECT WHICH WERE CONSIDERED AND DISCUSS THE ADVANTAGES AND DISADVANTAGES OF EACH ALTERNATIVE, INCLUDING BUT NOT LIMITED TO:

A. A DISCUSSION REGARDING THE AVAILABILITY OF LESS COSTLY, MORE EFFECTIVE, AND/OR MORE EFFICIENT ALTERNATIVE METHODS OF PROVIDING THE BENEFITS INTENDED BY THE PROPOSAL. IF DEVELOPMENT OF SUCH ALTERNATIVES IS NOT PRACTICABLE, THE APPLICANT SHOULD JUSTIFY WHY NOT, INCLUDING REASONS AS TO WHY THEY WERE REJECTED.

B. THE APPLICANT SHOULD DOCUMENT THAT CONSIDERATION HAS BEEN GIVEN TO ALTERNATIVES TO NEW CONSTRUCTION, E.G., MODERNIZATION OR SHARING ARRANGEMENTS. IT SHOULD BE DOCUMENTED THAT SUPERIOR ALTERNATIVES HAVE BEEN IMPLEMENTED TO THE MAXIMUM EXTENT PRACTICABLE.

If this provider's patients are to have the benefit of improved accessibility, parking, efficiency, and professional surroundings, relocation to new leased space is the only option.

The particular location was chosen after an extensive search of the nearby community. It appears to be the best available option for the relocation. The lease cost reflects market conditions. The applicant has avoided the high costs of new construction by selection of an existing building for renovation.

C(III).1. LIST ALL EXISTING HEALTH CARE PROVIDERS (I.E., HOSPITALS, NURSING HOMES, HOME CARE ORGANIZATIONS, ETC.) MANAGED CARE ORGANIZATIONS, ALLIANCES, AND/OR NETWORKS WITH WHICH THE APPLICANT CURRENTLY HAS OR PLANS TO HAVE CONTRACTUAL AGREEMENTS FOR HEALTH SERVICES.

The applicant has no contractual relationships with the facilities and organizations mentioned above. The applicant does not “discharge” patients to any other type of licensed facility. The applicant is not part of any health care alliance or network.

With respect to emergency transfer agreements, an emergency transfer agreement is not a licensure or accreditation requirement for this type of clinic, because the applicant's visiting patients are not ill, injured, or at risk for any type of medical emergency, any more than they would be in a visit to a private physician office or a pharmacy.

This clinic has had only an estimated four emergency transfers to hospitals in the past ten years. All were completed without issues due to the excellent capabilities of the local emergency response network.

C(III).2. DESCRIBE THE POSITIVE AND/OR NEGATIVE EFFECTS OF THE PROPOSAL ON THE HEALTH CARE SYSTEM. PLEASE BE SURE TO DISCUSS ANY INSTANCES OF DUPLICATION OR COMPETITION ARISING FROM YOUR PROPOSAL, INCLUDING A DESCRIPTION OF THE EFFECT THE PROPOSAL WILL HAVE ON THE UTILIZATION RATES OF EXISTING PROVIDERS IN THE SERVICE AREA OF THE PROJECT.

A relocation such as this is to secure an improved care environment for a particular group of ambulatory patients who must come onto the premises daily or weekly for years. That can only be a positive thing. It has no negative aspects whatsoever.

This is a type of program that is authorized by the General Assembly, and carefully regulated by the Department of Mental Health and Substance Abuse Services. The DMHSAS regulations revised in 2012 are 44 pages long (TCA Chapter 0940-5-42.1 to 42.29). The facility cares for a needy patient population for whom there is no satisfactory alternative form of care. These are patients attempting to cope with life-destroying addictions. This substitution-based program makes it possible for them to stop the physical and mental deterioration that accompanies illicit opioid use, and to resume normal activities and responsibilities in their families, workplaces, and communities. It increases public safety.

Competitive factors with other licensed providers are not an issue. This program, and the other two in the service area, are all operated by BHG.

C(III).3. PROVIDE THE CURRENT AND/OR ANTICIPATED STAFFING PATTERN FOR ALL EMPLOYEES PROVIDING PATIENT CARE FOR THE PROJECT. THIS CAN BE REPORTED USING FTE'S FOR THESE POSITIONS. IN ADDITION, PLEASE COMPARE THE CLINICAL STAFF SALARIES IN THE PROPOSAL TO PREVAILING WAGE PATTERNS IN THE SERVICE AREA AS PUBLISHED BY THE TENNESSEE DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT AND/OR OTHER DOCUMENTED SOURCES.

Please see the following page for a chart of projected FTE's and salary ranges.

The Department of Labor and Workforce Development website indicates the following Shelby County area annual salary information for clinical employees of the type employed in this project:

Table Nine: TDOL CY2012 Survey of Average Salaries Shelby County Area				
Position	Entry Level	Median	Mean	Experienced
Licensed Practical Nurse	\$33,100 \$15.90	\$39,350 \$18.90	\$39,660 \$19.05	\$42,940 \$20.65
Substance Abuse Counselor	\$25,350 \$12.20	\$34,190 \$16.45	\$35,370 \$17.00	\$40,390 \$16.45

Table Ten: Raleigh Professional Associates Staffing Requirements Current and Proposed Locations				
Position Type (RN, etc.)	Current FTE's	Year One FTE's	Year Two FTE's	Proposed Salary Range (Hourly)
Medical Director	Contract	Contract	Contract	
Program Physician	Contract	Contract	Contract	
Program Director	1	1	1	\$50,000-\$62,600
Nurses (LPN)	3	3	3	\$33,250-\$39,000
Counselors	5	5	5	\$25,000-\$41,000
Administrative	2	2	2	\$20,200-\$24,800
Counseling Supervisor	1	1	1	\$34,700-\$41,300
Nurse Practitioner	0.06	0.06	0.06	\$45/hr
Medical Assistant/Phlebotomist	1	1	1	\$19,600-\$24,500
Total FTE's	13.06	13.06	13.06	Medical Director Included

Notes:
 1. Program Director and Counseling Supervisor are salaried employees.
 2. Nurse includes Nursing Supervisor and Medication Nurses.

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C(III).4. DISCUSS THE AVAILABILITY OF AND ACCESSIBILITY TO HUMAN RESOURCES REQUIRED BY THE PROPOSAL, INCLUDING ADEQUATE PROFESSIONAL STAFF, AS PER THE DEPARTMENT OF HEALTH, THE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, AND/OR THE DIVISION OF MENTAL RETARDATION SERVICES LICENSING REQUIREMENTS.

This is an existing clinic that already meets rigorous State TDMH licensure standards; its relocation within the community will not affect its human resources or its program content. The project requires no addition of staff.

C(III).5. VERIFY THAT THE APPLICANT HAS REVIEWED AND UNDERSTANDS THE LICENSING CERTIFICATION AS REQUIRED BY THE STATE OF TENNESSEE FOR MEDICAL/CLINICAL STAFF. THESE INCLUDE, WITHOUT LIMITATION, REGULATIONS CONCERNING PHYSICIAN SUPERVISION, CREDENTIALING, ADMISSIONS PRIVILEGES, QUALITY ASSURANCE POLICIES AND PROGRAMS, UTILIZATION REVIEW PPOLICIES AND PROGRAMS, RECORD KEEPING, AND STAFF EDUCATION.

The applicant so verifies.

C(III).6. DISCUSS YOUR HEALTH CARE INSTITUTION'S PARTICIPATION IN THE TRAINING OF STUDENTS IN THE AREAS OF MEDICINE, NURSING, SOCIAL WORK, ETC. (I.E., INTERNSHIPS, RESIDENCIES, ETC.).

The applicant does not have training relationships with area health professional schools. However, BHG as a company requires all its staff to complete one to two trainings per month through "BHG University" professional courses. These are in addition to required compliance trainings.

C(III).7(a). PLEASE VERIFY, AS APPLICABLE, THAT THE APPLICANT HAS REVIEWED AND UNDERSTANDS THE LICENSURE REQUIREMENTS OF THE DEPARTMENT OF HEALTH, THE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, THE DIVISION OF MENTAL RETARDATION SERVICES, AND/OR ANY APPLICABLE MEDICARE REQUIREMENTS.

The applicant so verifies.

C(III).7(b). PROVIDE THE NAME OF THE ENTITY FROM WHICH THE APPLICANT HAS RECEIVED OR WILL RECEIVE LICENSURE, CERTIFICATION, AND/OR ACCREDITATION

LICENSURE: Tennessee Department of Mental Health and Substance Abuse Services

CERTIFICATION: The applicant is not certified for Medicare or TennCare

ACCREDITATION: Joint Commission

C(III).7(c). IF AN EXISTING INSTITUTION, PLEASE DESCRIBE THE CURRENT STANDING WITH ANY LICENSING, CERTIFYING, OR ACCREDITING AGENCY OR AGENCY.

The applicant is currently licensed in good standing by the Department of Mental Health and Substance Abuse Services, and holds a three-year Joint Commission accreditation.

C(III).7(d). FOR EXISTING LICENSED PROVIDERS, DOCUMENT THAT ALL DEFICIENCIES (IF ANY) CITED IN THE LAST LICENSURE CERTIFICATION AND INSPECTION HAVE BEEN ADDRESSED THROUGH AN APPROVED PLAN OF CORRECTION. PLEASE INCLUDE A COPY OF THE MOST RECENT LICENSURE/CERTIFICATION INSPECTION WITH AN APPROVED PLAN OF CORRECTION.

They have been addressed. A copy of the most recent licensure inspection and plan of correction, and the most recent accreditation inspection, are provided in Attachment C, Orderly Development--7(C).

C(III)8. DOCUMENT AND EXPLAIN ANY FINAL ORDERS OR JUDGMENTS ENTERED IN ANY STATE OR COUNTRY BY A LICENSING AGENCY OR COURT AGAINST PROFESSIONAL LICENSES HELD BY THE APPLICANT OR ANY ENTITIES OR PERSONS WITH MORE THAN A 5% OWNERSHIP INTEREST IN THE APPLICANT. SUCH INFORMATION IS TO BE PROVIDED FOR LICENSES REGARDLESS OF WHETHER SUCH LICENSE IS CURRENTLY HELD.

None.

C(III)9. IDENTIFY AND EXPLAIN ANY FINAL CIVIL OR CRIMINAL JUDGMENTS FOR FRAUD OR THEFT AGAINST ANY PERSON OR ENTITY WITH MORE THAN A 5% OWNERSHIP INTEREST IN THE PROJECT.

None.

C(III)10. IF THE PROPOSAL IS APPROVED, PLEASE DISCUSS WHETHER THE APPLICANT WILL PROVIDE THE THSDA AND/OR THE REVIEWING AGENCY INFORMATION CONCERNING THE NUMBER OF PATIENTS TREATED, THE NUMBER AND TYPE OF PROCEDURES PERFORMED, AND OTHER DATA AS REQUIRED.

Yes. The applicant will provide the requested data consistent with Federal HIPAA requirements.

PROOF OF PUBLICATION

Attached.

DEVELOPMENT SCHEDULE

1. PLEASE COMPLETE THE PROJECT COMPLETION FORECAST CHART ON THE NEXT PAGE. IF THE PROJECT WILL BE COMPLETED IN MULTIPLE PHASES, PLEASE IDENTIFY THE ANTICIPATED COMPLETION DATE FOR EACH PHASE.

The Project Completion Forecast Chart is provided after this page.

2. IF THE RESPONSE TO THE PRECEDING QUESTION INDICATES THAT THE APPLICANT DOES NOT ANTICIPATE COMPLETING THE PROJECT WITHIN THE PERIOD OF VALIDITY AS DEFINED IN THE PRECEDING PARAGRAPH, PLEASE STATE BELOW ANY REQUEST FOR AN EXTENDED SCHEDULE AND DOCUMENT THE "GOOD CAUSE" FOR SUCH AN EXTENSION.

Not applicable. The applicant anticipates completing the project within the period of validity.

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision Date, as published in Rule 68-11-1609(c):

August 28, 2013

Assuming the CON decision becomes the final Agency action on that date, indicate the number of days from the above agency decision date to each phase of the completion forecast.

PHASE	DAYS REQUIRED	Anticipated Date (MONTH /YEAR)
1. Architectural & engineering contract signed	0	8-13
2. Construction documents approved by TDH	4	9-13
3. Construction contract signed	12	9-13
4. Building permit secured	13	9-13
5. Site preparation completed	na	na
6. Building construction commenced	14	9-13
7. Construction 40% complete	44	10-13
8. Construction 80% complete	74	11-13
9. Construction 100% complete	104	12-13
10. * Issuance of license	109	12-13
11. *Initiation of service	123	1-14
12. Final architectural certification of payment	153	2-14
13. Final Project Report Form (HF0055)	183	3-14

*** For projects that do NOT involve construction or renovation: please complete items 10-11 only.**

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

INDEX OF ATTACHMENTS

A.4	Ownership--Legal Entity and Organization Chart (if applicable)
A.6	Site Control
B.III.	Plot Plan
B.IV.	Floor Plan
C, Need-1.A.3	Medical Director Qualifications
C, Need--3	Service Area Maps
C, Economic Feasibility--1	Documentation of Construction Cost Estimate
C, Economic Feasibility--2	Documentation of Availability of Funding
C, Economic Feasibility--10	Financial Statements
C, Orderly Development--7(C)	Facility Inspections and Surveys
Miscellaneous Information	<ol style="list-style-type: none"> 1. "Methadone Maintenance Treatment" (CDC) 3. Bureau of TennCare--Co./State Enrollments 4. U.S. Census QuickFacts for Service Area 5. Notifications to Public Officials

A.4--Ownership
Legal Entity and Organization Chart

STATE OF TENNESSEE
DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES



LICENSE

THE DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES GRANTS THIS FULL LICENSE IN ACCORDANCE WITH TENNESSEE CODE ANNOTATED TITLE 33, CHAPTER 2, PART 4 TO:

VCPHCS XXI, LLC

(Name of Licensee)

TO OPERATE A FACILITY OR SERVICE IDENTIFIED AND LOCATED AS FOLLOWS FOR THE PROVISION OF MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, PERSONAL SUPPORT, OR ALCOHOL AND DRUG ABUSE SERVICES:

Raleigh Professional Associates

(Name of Facility or Service as Known to the Public)

2960-B Austin Peay Highway, Memphis, TN 38128

(Street Address or Location, City or Town)

THE LICENSEE HAS DEMONSTRATED COMPLIANCE WITH T.C.A. TITLE 33, CHAPTER 2, PART 4 AND WITH RULES OF THE DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES

THIS LICENSE AUTHORIZES LIFE SAFETY OCCUPANCY CLASSIFICATIONS AND THE FOLLOWING DISTINCT CATEGORY OF FACILITY OR SERVICES TO BE PROVIDED.

Distinct Category	Accessible to mobile, non-ambulatory individuals	Approved for persons with			Occupancy Classification
		hearing loss	vision impairment	Capacity	
Alcohol & Drug Non-Residential Opiate Treatment	N	N	Y	n/a	Business

November 01, 2012
Date License Granted

October 31, 2013
Date License Expires

L000000011850
License Number


Commissioner of Mental Health and Substance Abuse Services

THIS LICENSE IS NON-TRANSFERABLE AND NON-ASSIGNABLE.
POST THIS LICENSE IN A CONSPICUOUS PLACE.

13350



STATE OF TENNESSEE
DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES
West Tennessee Regional Office of Licensure and Review
170 NORTH MAIN STREET
12th FLOOR
MEMPHIS, TENNESSEE 38103

BILL HASLAM
GOVERNOR

E. DOUGLAS VARNEY
COMMISSIONER

October 24, 2012

Mr. James Draught
Chief Operating Officer
VCPHCS XXI, LLC
8300 Douglas Avenue
Suite 750
Dallas, TX 75225

Dear Mr. Draught:

Attached is a Full License issued to VCPHCS XXI, LLC to operate a facility/service at the address listed herein. This license is effective November 01, 2012 and will expire on October 31, 2013.

This license is being issued in accordance with regulation 0940-5-2-.11 which provides that facilities/services accredited by Joint Commission on Accreditation of Health Care Organizations (JCAHO) may be deemed to be in compliance with the Department of Mental Health licensure program standards. Compliance with applicable life safety standards has been demonstrated. The facility/service remains subject to at least one unannounced inspection annually.

Should a facility/service for some reason fail to maintain its accredited or certified status, you are required to notify this office. At that point, we will proceed to make a licensure determination under other licensure regulations.

Raleigh Professional Associates at 2960-B Austin Peay Highway, Memphis, TN 38128
Attached: L000000011850 - Alcohol & Drug Non-Residential Opiate Treatment

This department appreciates both the quality services you are providing and your cooperation with the licensure program. Please call on us if we may be of assistance to you.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Tyler".

Cynthia Tyler, Esq.
Director of Office of Licensure and Review

cc: Jason Carter, State Narcotics Authority

VCPHCS XXI, LLC
Raleigh Professional Associates
Memphis, TN

has been Accredited by



The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the

Behavioral Health Opioid Treatment Accreditation Program

September 13, 2012

Accreditation is customarily valid for up to 36 months.

David A. Whiston, D.D.S.
Chairman of the Board

Organization ID #: 522015

Print/Reprint Date: 09/27/12

Mark Chassin, M.D.
President

The Joint Commission is an independent, not-for-profit, national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.



This reproduction of the original accreditation certificate has been issued for use in regulatory/payer agency verification of accreditation by The Joint Commission. Please consult Quality Check on The Joint Commission's website to confirm the organization's current accreditation status and for a listing of the organization's locations of care.

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Business Information Search

As of May 10, 2013 at 4:30 p.m. we have processed all corporate documents received in our office through May 10, 2013 and annual reports received in our office through May 10, 2013.

Search:						1-1 of 1	
Search Name:		<input type="text" value="VCPHCS XXI, LLC"/>		<input checked="" type="radio"/> Starts With <input type="radio"/> Contains			
Control #:		<input type="text"/>					
Active Entities Only:		<input type="checkbox"/>				<input type="button" value="Search"/>	
Control #	Entity Type	Name	Name Type	Name Status	Entity Filing Date	Entity Status	
000668055	LLC	VCPHCS XXI, LLC DELAWARE	Entity	Active	09/21/2011	Active	
						1-1 of 1	

Information about individual business entities can be queried, viewed and printed using this search tool for free.

If you want to get an electronic file of all business entities in the database, the full database can be downloaded for a fee by [Clicking Here](#).

[Click Here](#) for information on the Business Services Online Search logic.

Division of Business Services
312 Rosa L. Parks Avenue, Snodgrass Tower, 6th Floor
Nashville, TN 37243
615-741-2286

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A.6--Site Control

January 25, 2013

RPA

VCPHCS
Attn: James Draudt
8300 Douglas Avenue #750
Dallas, TX 75225

RE: Lease for Perimeter Point Business Park – Memphis, TN

Dear Sirs:

CP Perimeter Point East, LLC and Coastal Properties, LLC warmly welcome you to Perimeter Point Business Park. Your original Lease copy is attached. We hope that you enjoy your tenancy and look forward to working with you. To help familiarize you with the necessary procedures for daily operations, please review the information below.

Based upon the terms of your Lease, Rent will commence on **February 1, 2013**. Payments are due on or before the 1st day of each month. Payments should be sent to: **CP Perimeter Point East, LLC, 3001 Douglas Blvd. Ste 340, Roseville, CA 95661**. A W-9 has been attached for your convenience. Please provide proof of utility transfer, your local MLG&W account numbers are: **1262-870 & 1262-872**. We will also require a certificate of insurance naming CP Perimeter Point East, LLC and Coastal Partners, LLC as additional insureds.

We have also asked that you complete the Tenant Emergency Sheet, your information is used for our purposes only in an emergency situation should one occur.

Service and maintenance requests can be accommodated for a nominal fee, should you need our assistance, please send your request to service@coastalpartners.net for scheduling. After hour and weekend emergencies should not only be e-mailed but please call 901-937-1406 for immediate assistance.

We hope this information will be helpful to you. We ask that you distribute this information to the appropriate individuals with your office and that all personnel become acquainted with these procedures. If you should have any questions, please call our on-site management office at 901-937-1406.

Sincerely,


Julie Harkins
Property Manager

5175 Elmore Rd. #9, Memphis, TN 38134
Ph: 901-937-1406; Fx: 901-937-1408; Cell: 901-484-9887
jharkins@coastalpartners.net

1.01 Parties. This lease agreement ("Lease") dated January 23, 2013 is entered into by and between the following Landlord and Tenant: CP Perimeter Point East, LLC, Tennessee limited liability company ("Landlord") and is VCPHCS XXI, LLC, Delaware limited liability company ("Tenant").

1.02 Leased Premises. In consideration of the rents, terms, provisions and covenants of this Lease, Landlord hereby leases, lets and demises to the Tenant the following described premises ("Leased Premises") as shown on Exhibit "A" attached hereto: Perimeter Point Business Center, 2165 Spicer Cove Ste. 9, Memphis, Tennessee 38134. Tenant acknowledges, and Landlord represents, that the approximate square footage of the Leased Premises is approximately 7,350 square feet.

1.03 Term. Subject to and upon the conditions set forth herein, the term of this Lease shall commence on February 1, 2013 (the "Commencement Date") and shall terminate on January 31, 2023. Landlord shall not be liable to Tenant in the event Landlord does not deliver possession of the Leased Premises to Tenant on the Commencement Date, and Landlord's non-delivery of the Leased Premises to Tenant on the Commencement Date, however, if Landlord does not deliver possession of the Leased Premises to Tenant in the condition required hereunder by the Commencement Date, then Tenant shall not be obligated to perform any of its obligations hereunder. The Commencement Date shall be delayed, however, until possession of the Leased Premises is delivered to Tenant in the condition required by this Lease, and the Lease term shall be extended for a period equal to the delay in delivery of possession of the Leased Premises to Tenant. If delivery of possession of the Leased Premises in the condition required hereunder is delayed, Landlord and Tenant shall, upon such delivery execute an amendment to this Lease setting forth a Commencement Date and expiration date of the Lease. In the event Tenant enters the Leased Premises prior to the Commencement Date, Tenant shall execute and deliver to Landlord a Hold Harmless Agreement in a form provided by Landlord whereby Tenant releases Landlord from all liabilities, claims and causes of action arising out of any construction or other work performed at the Leased Premises and agrees to pay utility charges incurred by Tenant during such early possession. In addition, Tenant shall provide Landlord evidence of property, builders risk and such other insurance as may be reasonably required by Landlord insuring such work from commencement until completion and naming Landlord as an additional insured. See Article 16.04 - Option to Cancel

Ten = 10yr

1.04 Base Rent and Security Deposit. Base Rent Schedule is as follows:

Term	Base Monthly Rental	(+ 3% / year)
02-01-2013 / 09-30-2013	\$ 0.00 per month	
10-01-2013 / 01-31-2014	\$ 3,454.00 per month	
02-01-2014 / 01-31-2015	\$ 3,557.62 per month	
02-01-2015 / 01-31-2016	\$ 3,664.34 per month	
02-01-2016 / 01-31-2017	\$ 3,774.27 per month	
02-01-2017 / 01-31-2018	\$ 3,887.49 per month	
02-01-2018 / 01-31-2019	\$ 4,004.11 per month	
02-01-2019 / 01-31-2020	\$ 4,124.23 per month	
02-01-2020 / 01-31-2021	\$ 4,247.95 per month	
02-01-2021 / 01-31-2022	\$ 4,375.38 per month	
02-01-2022 / 01-31-2023	\$ 4,506.64 per month	

Security Deposit is \$7,000.00

1.05 Addresses.

Landlord's Address:

CP Perimeter Point East, LLC
c/o Coastal Partners, LLC
3001 Douglas Blvd. #340
Roseville, CA 95661

Tenant's Address:

is VCPHCS XXI, LLC
Attn: James Draudt
8300 Douglas Avenue, Suite 750
Dallas, Texas 75225

1.06 Permitted Use. Outpatient addiction treatment and counseling services and related office use.

ARTICLE 2.00 RENT

2.01 Base Rent. Tenant agrees to pay monthly as Base Rent during the term of this Lease without notice, demand, counter-claim, set-off or abatement (except as set forth herein), the sum of money set forth in section 1.04 of this Lease, which amount shall be payable to Landlord at the address shown above. One monthly installment of rent shall be due and payable on the date of execution of this Lease by Tenant for the first month's rent and a like monthly

...of such restrictions and/or owner's associations, but not any late fees, fines or penalties of any kind or nature) lawfully levied or assessed against the Project and any and all property insurance required to be obtained by Landlord pursuant to this Lease. Said real property taxes, assessments and insurance shall be prorated and paid on or before the first day of every month following the Commencement Date, as additional rent. The proration shall be based upon Landlord's estimate of real property taxes, assessments and required insurance for the current calendar year, provided, that in the event Landlord is required under a mortgage, deed of trust, underlying lease or loan agreement covering the Project to escrow real property taxes, assessments or required insurance, Landlord may but shall not be obligated, to use the amount required to be escrowed as a basis for its estimate. There will be an annual accounting as to actual real property taxes, assessments and required insurance and appropriate payments or credits made. To the extent the Commencement Date or termination date of the Lease is not on the first day of the calendar year or last day of the calendar year respectively, Tenant's liability for real property taxes and required insurance shall be subject to a pro rata adjustment based on the number of days of any such year during which the term of the Lease is in effect. Tenant shall have no right to contest or appeal any value assessment rendered by applicable taxing authorities. Tenant shall pay a pro rata share of such real property taxes, assessments and insurance, such pro rata share to be equal to the product obtained by multiplying the total of such real property taxes assessments and required insurance by a fraction, the numerator of which shall be the number of square feet of floor area of the Leased Premises and the denominator of which shall be the number of square feet of floor area in the Project. For purposes of this Lease, Tenant's pro rata share of the Project shall be 5.17%.

2.03 Operating Expenses. Tenant agrees to pay as additional rent Tenant's pro rata share (as determined by the formula set forth in Section 2.02 above) of Landlord's Operating Expenses for the Project without deduction or set-off of any kind. Landlord may invoice Tenant monthly for Tenant's pro rata share of the estimated Operating Expenses for each calendar year, which amount shall be adjusted each year based upon anticipated Operating Expenses. Within three months following the close of each calendar year, Landlord shall provide Tenant an accounting showing in reasonable detail all computations of additional rent due under this section. In the event the accounting shows that the total of the monthly payments made by Tenant exceeds the amount of additional rent due by Tenant under this section, the accounting shall be accompanied by a refund. In the event the accounting shows that the total of the monthly payments made by Tenant is less than the amount of additional rent due by Tenant under this section, the accounting shall be accompanied by an invoice for the additional rent. Notwithstanding any other provision in this Lease, during the year in which the Lease terminates, Landlord, prior to the termination date, shall have the option to invoice Tenant for Tenant's pro rata share of the excess Operating Expenses based upon the previous year's Operating Expenses. If this Lease shall terminate on a day other than the last day of a calendar year, the amount of any additional rent payable by Tenant applicable to the year in which such termination shall occur shall be prorated on the ratio that the number of days from the commencement of the calendar year to and including the termination date bears to 365. Provided Tenant is not in default of any terms of this Lease, Tenant shall have the right, at its own expense, to audit Landlord's books relevant to the additional rent payable under this section and elsewhere in this Lease, including in Section 2.02 above. With respect to such audit, Tenant 1) may review Landlord's books during regular office hours, 2) must perform such audit at the location of Landlord's books, 3) must request such audit within ninety (90) days of receipt of its annual reconciliation of Operating Expenses, 4) must deliver to Landlord a copy of the results of such audit, 5) may not audit the same calendar year more than one time and 6) may only audit Landlord's books should Tenant's share of Operating Expenses increase from the previous calendar year. Assignees of Tenant may only audit periods for which they occupy the Leased Premises and subtenants of Tenant shall have no audit rights. Tenant agrees to pay any additional rent due under this section within ten days following receipt of the invoice or accounting showing additional rent due. If Tenant's audit reveals that Tenant overpaid any amount of Operating Expenses or other amounts due hereunder, then Landlord shall refund such overpayments within ten (10) days written notice from Tenant.

Notwithstanding anything herein to the contrary, the maximum amount payable by Tenant for Tenant's pro-rata share of Operating Expenses for the first twelve (12) months of the Term shall not exceed Three Dollars and 14/100 dollars (\$3.14) per square foot of the Leased Premises per annum. Commencing with the thirteenth (13) month of the Term, Tenant's share of Controllable Operating Expenses (defined as those expenses which are under Landlord's control e.g. not subject to market forces, weather conditions, governmental control) for the Building and / or Project shall not increase more than three percent (3%) percent per annum.

2.04 Definition of Operating Expenses. The term "Operating Expenses" includes all reasonable and necessary expenses incurred by Landlord with respect to the maintenance and operation of the Project, including, but not limited to, the following: maintenance, repair and replacement costs (but not any costs or expenses for repairs, replacements or alterations that are required to be capitalized for federal income tax purposes or pursuant to GAAP, unless otherwise permitted hereunder) necessary for the upkeep of the Project; security; management fees, wages and benefits payable to employees of Landlord whose duties are directly connected with the operation and maintenance of the Project; all services, utilities for common areas, supplies, repairs, replacements or other expenses for maintaining and operating the common parking and plaza areas; barrier removal, implementation and assessment plans; the cost, without interest, amortized over its useful life, of any capital improvement made to the Project by Landlord after the date of this Lease which is required under any governmental law or regulation that was not applicable to the Project at the time it was constructed; the cost without interest, amortized over its useful life, of installation of any device or other equipment which improves the operating efficiency of any system within the Leased Premises and thereby reduces Operating Expenses; all other expenses which would generally be regarded as operating and maintenance

2.05 Late Payment Charge. Other remedies for nonpayment of rent notwithstanding, if the monthly rental payment is not received by Landlord on or before the tenth day of the month for which the rent is due, or if any other payment due Landlord by Tenant is not received by Landlord on or before the tenth day of the month next following the month in which Tenant was invoiced, a late payment charge of five percent of such past due amount shall become due and payable in addition to such amounts owed under this Lease. In addition, Landlord shall be entitled to charge one-hundred dollars (\$100.00) for each check or payment which is not honored by Tenant's bank. Said charge to be in addition to any other amounts owed under this Lease.

2.06 Increase in Insurance Premiums. If an increase in any premiums for any insurance required to be obtained by Landlord hereunder, that is paid by Landlord for the Project is caused by Tenant's specific use of the Leased Premises in a manner other than as set forth in section 1.06 or 3.01, or if Tenant vacates the Leased Premises and causes an increase in such premiums, then Tenant shall pay as additional rent the amount of such increase to Landlord. Such amount shall be payable to Landlord within thirty (30) days of notice to Tenant of the amount of such increase.

2.07 Security Deposit. The security deposit set forth above shall be held by Landlord for the performance of Tenant's covenants and obligations under this Lease, it being expressly understood that the deposit shall not be considered an advance payment of rental or a measure of Landlord's damage in case of default by Tenant. Upon the occurrence of any event of default by Tenant or breach by Tenant of Tenant's covenants under this Lease, Landlord may, from time to time, without prejudice to any other remedy, use the security deposit to the extent necessary to make good any arrears of rent, or to repair any damage or injury, or pay any expense or liability incurred by Landlord as a result of the event of default or breach of covenant, and any remaining balance of the security deposit shall be returned by Landlord to Tenant within a reasonable period of time following termination of this Lease. If any portion of the security deposit is so used or applied, Tenant shall upon ten days written notice from Landlord, deposit with Landlord by cash or cashier's check an amount sufficient to restore the security deposit to its original amount. See Section 16.05 below.

2.08 Holding Over. In no event may Tenant remain in the Leased Premises following the expiration or termination of this Lease without Landlord's prior written consent. In the event that Tenant does not vacate the Leased Premises upon the expiration or termination of this Lease, Tenant shall be a tenant at will for the holdover period and all of the terms and provisions of this Lease shall be applicable during that period, except that Tenant shall pay Landlord as Base Rental for the period of such holdover an amount equal to 1.25 times the Base Rent being paid by Tenant immediately prior to the expiration or termination of the Lease. Tenant agrees to vacate and deliver the Leased Premises to Landlord immediately upon Tenant's receipt of notice from Landlord to vacate. Such notice shall be pursuant to the notice provisions of Section 14.07 herein or by facsimile transmission. The rental payable during the holdover period shall be payable to Landlord on demand. No holding over by Tenant, whether with or without the consent of Landlord and notwithstanding receipt by Tenant of an invoice from Landlord for holdover rent, shall operate to extend the term of this Lease.

ARTICLE 3.00 OCCUPANCY AND USE

3.01 Use. Tenant warrants and represents to Landlord that the Leased Premises shall be used and occupied only for the purpose as set forth in section 1.06. Tenant shall occupy the Leased Premises, conduct its business and control its agents, employees, invitees and visitors in such a manner as is lawful, reputable and will not create a nuisance. Tenant shall not permit any operation which emits any odor or matter which intrudes into other portions of the Building or Project, attracts rodents, use any apparatus or machine which makes undue noise or causes vibration in any portion of the Building or Project or otherwise interfere with, annoy or disturb any other Tenant in its normal business operations or Landlord in its management of the Project. Tenant shall neither permit any waste on the Leased Premises nor allow the Leased Premises to be used in any way which would, in the opinion of Landlord, be extra hazardous on account of fire or which would in any way increase or render void the fire insurance on the Project. If at any time during the term of this Lease the State Board of Insurance or other insurance authority disallows any of Landlord's sprinkler credits or imposes an additional penalty or surcharge in Landlord's insurance premiums because of Tenant's original or subsequent placement or use of storage racks or bins, method of storage or nature of Tenant's inventory or any other act of Tenant, Tenant agrees to pay as additional rent the increase in Landlord's insurance premiums. Notwithstanding anything set forth in this section 3.01, in no way does Landlord warrant or represent, either expressly or impliedly, that Tenant's use of the Leased Premises is in accordance with applicable codes or ordinances of the municipality within which the Project is located.

3.02 Signs. No sign of any type or description shall be erected, placed or painted in or about the Leased Premises or Project, including those advertising the Leased Premises for sublease, except those signs submitted to Landlord in writing and approved by Landlord in writing (which approval shall not be unreasonably withheld), and which signs are at Tenant's sole expense and are in conformance with Landlord's sign criteria established for the Project. Such permitted signs shall be removed by Tenant in accordance with the conditions allowing their erection or upon expiration or termination of the Lease at Tenant's sole cost and expense.

amend the rules and regulations in any reasonable manner as may be deemed advisable for the safety, care, cleanliness, preservation of good order and operation or use of the Project or the Leased Premises, however, all such rules shall be enforced consistently among all occupants of the Project, and no alterations of the rules shall interfere with Tenant's use and/or occupancy of the Leased Premises. All changes and amendments to the rules and regulations other Project will be sent by Landlord to Tenant in writing and shall thereafter be carried out and observed by Tenant. Landlord hereby represents and warrants to Tenant that the Premises is, and during the entire Term will be, in material compliance with all applicable codes, laws, regulations and ordinances of all Federal, state, county and municipal authorities including Title III of the Americans With Disabilities Act of 1990 and any regulations promulgated thereunder

3.04 Warranty of Possession. Landlord warrants that it has the right and authority to execute this Lease, and Tenant, upon payment of the required rents and subject to the terms, conditions, covenants and agreements contained in this Lease, shall have possession of the Leased Premises during the full term of this Lease as well as any extension or renewal thereof. Landlord shall not be responsible for the acts or omissions of any other Tenant or third party that may interfere with Tenant's use and enjoyment of the Leased Premises. Unless Tenant commits a monetary default (beyond any applicable notice or cure period), then at all times during the term of this Lease, Tenant shall have peaceful and quiet enjoyment of the Leased Premises against any person claiming by, through or under Landlord.

3.05 Inspection. Landlord or its authorized agents shall at any and all reasonable times during normal business hours, and upon no less than 48 hours' notice to Tenant, and in the presence of Tenant's representative, have the right to enter the Leased Premises to inspect the same, conduct non-invasive tests, environmental audits or other procedures to determine Tenant's compliance with the terms hereof; to supply any other service to be provided by Landlord; to show the Leased Premises to prospective purchasers, tenants (during the last 60 days of the term of this Lease) or mortgagees; to alter, improve or repair the Leased Premises (which alterations, improvements or repairs shall not materially interfere with Tenant's use or occupancy of the Leased Premises) or any other portion of the Project or for any other purpose Landlord deems necessary. Tenant shall not change Landlord's lock system or in any other manner prohibit Landlord from entering the Leased Premises, without giving Landlord access to the Leased Premises. Landlord shall have the right to use any and all means which Landlord may deem proper to open any door in an emergency without liability therefore. During the final one-hundred eighty days of the Lease term, Landlord or its authorized agents shall have the right to erect or maintain on or about the Leased Premises or the Project customary signs advertising the Leased Premises for lease or sale. Landlord shall use its best efforts to avoid interfering with Tenant's use of the Leased Premises during any such entry. Landlord acknowledges that Tenant intends the Leased Premises to be used as a medical clinic serving various patients, and that the Leased Premises shall contain Medical Records (hereinafter defined) owned by such patients, and that such Medical Records must remain confidential. Accordingly, in no event shall Landlord obtain any ownership interest or block access to any Medical Records and if any Landlord or Landlord's affiliate enters the Leased Premises for any reason, Landlord or Landlord's affiliate shall not review, disclose, use, distribute, or destroy any of the Medical Records. As used herein, the term "Medical Records" shall mean and include, without limitation, patient files and materials owned by such patients, and/or any other confidential information or information protected by the Health Insurance Portability and Accountability Act (HIPAA) or similar federal/state law, whether stored electronically or on paper, which Medical Records shall at all times remain the property of the Tenant or the respective patient(s) of the Tenant, as the case may be.

3.06 Hazardous Waste. The term "Hazardous Substances," as used in this Lease shall mean pollutants, contaminants, toxic or hazardous wastes, or any other substances, the use and/or the removal of which is required or the use of which is regulated, restricted, prohibited or penalized by any "Environmental Law," which term shall mean any federal, state or local law, ordinance or other statute of a governmental or quasi-governmental authority relating to pollution or protection of the environment. Tenant hereby agrees that (i) no activity will be conducted on the Leased Premises that will produce any Hazardous Substance, except for such activities that are part of the ordinary course of Tenant's business activities (the "Permitted Activities"), provided said Permitted Activities are conducted in accordance with all Environmental Laws and have been approved in advance in writing by Landlord; Tenant shall be responsible for obtaining any required permits and paying any fees and providing any testing required by any governmental agency related to its use of any Hazardous Substances on the Leased Premises; (ii) the Leased Premises will not be used in any manner for the storage of any Hazardous Substances except for the temporary storage of such materials that are used in the ordinary course of Tenant's business (the "Permitted Materials") provided such Permitted Materials are properly stored in a manner and location meeting all Environmental Laws and approved in advance in writing by Landlord, Tenant shall be responsible for obtaining any required permits and paying any fees related to its use of any Hazardous Substances on the Leased Premises and providing any testing required by any governmental agency related to its use of any Hazardous Substances on the Leased Premises; (iii) no portion of the Leased Premises will be used as a landfill or a dump; (iv) Tenant will not install any underground or above ground tanks of any type; (v) Tenant will not allow any surface or subsurface conditions to exist or come into existence that constitute, or with the passage of time may constitute a public or private nuisance; (vi) Tenant will not permit any Hazardous Substances to be brought onto the Leased Premises, except for the Permitted Materials described below, and if so brought or found located thereon, the same shall be immediately removed, with proper disposal, and all required cleanup procedures shall be diligently undertaken pursuant to all Environmental Laws. Landlord or Landlord's representative shall have the right but not the obligation to enter the Leased Premises for the purpose of inspecting the storage, use and disposal of Permitted Materials to ensure compliance with all Environmental Laws. Should it be determined, in Landlord's sole opinion, that said Permitted Materials are being improperly stored, used,

(collectively a "plan of action"). Before Tenant begins the actions necessary to comply with Environmental Laws or to clean up contamination from Hazardous Substances, Landlord shall have (1) approved the nature, scope and timing of the plan of action, and (2) approved any and all covenants and agreements to effect the plan of action. Tenant agrees to indemnify and hold Landlord harmless from all claims, demands, actions, liabilities, costs, expenses, damages and obligations of any nature arising from or as a result of the use of the Leased Premises by Tenant. The foregoing indemnification and the responsibilities of Tenant shall survive the termination or expiration of this Lease for six months. Landlord represents and warrants to Tenant that as of the Commencement Date, the Leased Premises and Building are in compliance with all applicable Environmental Laws and neither the Leased Premises nor the Building is being monitored or remediated at the request of any government agency due to current or prior non compliance with Environmental Laws. Notwithstanding anything herein to the contrary, Tenant shall not be liable for any claims, demands, actions, liabilities, costs, expenses, damages and/or obligations of any nature arising from any Hazardous Substances' contamination pre-existing in the Leased Premises prior to the earlier of either (i) Tenant's access to the Premises, or (ii) the Commencement Date, or other-wise caused by any third parties (collectively, "Pre-Existing Contamination"). Landlord and its successors and assigns shall indemnify, protect, defend and hold Tenant, its partners, officers, directors, shareholders, employees, agents, lenders, contractors and each of their respective successors and assigns harmless from any and all claims, judgments, damages, penalties, enforcement actions, taxes, fines, remedial actions, liabilities, losses, costs and expenses (including, without limitation, actual attorneys' fees, litigation, arbitration and administrative proceeding costs, expert and consultant fees and laboratory costs) including, without limitation any sums paid in settlement of claims, which arise during or after the Term either in whole or in part as a result of the presence of any Hazardous Materials, in, on, under, from or about the Leased Premises or the Building and/or other adjacent properties that occurred prior to the Term.

3.07 Parking and Road Use. Tenant is hereby granted the right to use, for the benefit of Tenant, its employees, customers, invitees and licensees the parking areas adjacent to the Building as depicted on Exhibit _____ on a non-exclusive basis subject to the terms herein. All parking on any common drive areas by Tenant or any of Tenant's employees, customers, invitees or licensees shall be upon the express condition that all such drives must be kept clear for through traffic of all vehicles, including tractor-trailers. No driving or parking of any vehicles on non-paved areas adjoining the Building or within the Project is permitted.

During the term of this Lease, Tenant shall have, without charge, the non-exclusive right to use, in common with Landlord, other tenants of the Building, and their respective guests and invitees, the automobile parking areas, driveways, and footways located within the Project. Tenant will have exclusive use of ten (10) parking spaces in front of the Leased Premises. Landlord shall mark said spaces as reserved for Tenant's use, and Landlord shall use its best efforts to prohibit unauthorized users from parking in such spaces. However, Tenant specifically acknowledges that Landlord does not have the ability to prevent unauthorized use of said spaces.

3.08 Certificate of Occupancy. Upon the Commencement Date of the Lease, Tenant shall (i) obtain an Occupancy Checklist with respect to any initial work or improvements performed by Tenant, posted at the Leased Premises which will have been approved by the municipality in which the Leased Premises are located, and (ii) deliver a copy of the Certificate of Occupancy upon receipt from such municipality. Prior to delivery of the Leased Premises to Tenant, Landlord shall obtain any and all necessary Certificates of Occupancy for the Leased Premises.

ARTICLE 4.00 UTILITIES AND SERVICE

4.01 Building Services. Landlord shall provide the gas, electric, water, sanitary and storm sewer, sprinkler, and telephone utility service connections to the Leased Premises. Tenant shall pay directly to the appropriate supplier the cost of all utility services used at the Leased Premises, including, but not limited to, security deposits, initial connection charges, all charges for gas, electricity, telephone, water, sprinkler monitoring devices, sanitary and storm sewer service and for all electric lights and security systems. If any services are jointly metered with other premises or property, Landlord shall make a reasonable determination of Tenant's proportionate share of the cost of such services and Tenant shall pay such share to Landlord within ten (10) days of receipt of any invoice thereof in a multi-occupancy Project, Landlord may provide water to the Leased Premises, in which case Tenant agrees to pay to Landlord its pro rata share of the cost of such water. Tenant shall pay all costs caused by Tenant introducing excessive pollutants or solids other than ordinary human waste into the sanitary sewer system, including permits, fees and charges levied by any governmental subdivision for any such pollutants or solids. Tenant shall be responsible for the installation and maintenance of any dilution tanks, holding tanks, settling tanks, sewer sampling devices, sand traps, grease traps or similar devices as may be required by any governmental subdivision for Tenant's use of the sanitary sewer system. Tenant shall pay all surcharges levied due to Tenant's use of sanitary sewer or waste removal services insofar as such surcharges affect Landlord or other Tenants in the Project. Except as set forth herein, Landlord shall not be required to pay for any utility services, supplies or upkeep in connection with the Leased Premises. Cessation of any of these defined services shall not render Landlord liable in any respect for damages to either person or property, be construed as an eviction of Tenant, however, if any such services shall cease to be made available at the Leased Premises for more than three (3) consecutive days, then all Base Rent, Additional Rent, and other charges hereunder shall abate until such time as such utility service(s) are fully restored to the Leased Premises.

4.02 Theft or Burglary. Landlord shall not be liable to Tenant for losses to Tenant's property or personal injury caused by criminal acts or entry by unauthorized persons into the Leased Premises or the Project. Subject to the

orders. Except as set forth herein, Tenant acknowledges that neither Landlord nor any agent of Landlord has made any warranty or representation of any kind, either express or implied as to the condition of the Leased Premises or the suitability of the Leased Premises for Tenant's intended use. Except as set forth herein, The taking of the possession of the Leased Premises by Tenant shall be conclusive evidence, as against Tenant, that Tenant accepts the Leased Premises and that the Leased Premises were in good and satisfactory condition at the time such possession was so taken. Prior to taking occupancy of the Leased Premises, Tenant shall sign a copy of the space plan of the Leased Premises acknowledging its condition on the date thereof (unless Landlord waives such requirement) and execute Landlord's Standard Tenant Acceptance of Premises form accepting such condition. Landlord represents and warrants to Tenant that Landlord has not received any written notice of any violations which remain uncured with respect to any defective condition, structural or otherwise, with respect to the Leased Premises; and Landlord represents and warrants that, upon the Commencement Date and continuing through the remainder of the term of this Lease, the heating, ventilating and air conditioning equipment and systems, plumbing system, sprinkler system, electrical system, fire suppression and alarm systems, the roof and roof membrane, and all other fixtures, equipment and systems at or serving the Leased Premises (except for those fixtures, equipment or systems brought onto the Leased Premises by Tenant) are in good condition, repair and working order, subject to Tenant's specific maintenance obligations hereunder.

5.02 Landlord Repairs and Maintenance. Landlord shall not be required to make any improvements, replacements or repairs of any kind or character to the Leased Premises or the Project during the term of this Lease except as are set forth in this section. Landlord shall maintain only the roof, foundation, parking and common areas not the responsibility of Tenant, downspouts, fire sprinkler system, dock bumpers, landscaping, lawn maintenance, lawn sprinkler systems, parking lot striping and painting, painting the Project and exterior doors and the structural soundness of the exterior walls (excluding windows, window glass, plate glass, doors and surfaces of walls). Landlord's cost of maintaining the structural components of the roof, foundation, and structural soundness of the exterior walls (excluding windows, window glass, plate glass, doors and surfaces of walls) are not subject to the additional rent provisions in section 2.03. Landlord's costs of maintaining the other items set forth in this section are subject to the additional rent provisions in section 2.03. Landlord shall not be liable to Tenant, except as expressly provided in this Lease, for any damage or inconvenience, and Tenant shall not be entitled to any abatement or reduction of rent by reason of any repairs, alterations or additions made by Landlord under this Lease. Nothing contained herein shall entitle Tenant to make any repairs, alterations or additions to the Leased Premises at Landlord's expense or to terminate the Lease based on the physical condition of the Leased Premises.

5.03 Tenant Repairs and Maintenance. Tenant shall, at its sole cost and expense, maintain, repair and replace all other parts of the Leased Premises in good repair and condition, including, but not limited to heating, ventilating and air conditioning systems, levelers, lights, truck and rail doors, pest control and extermination, trash pick-up and removal and snow removal. Notwithstanding anything herein to the contrary, in no event shall Tenant be obligated to incur any costs or expenses for repairs, replacements or alterations that are required to be capitalized for federal income tax purposes or pursuant to GAAP. Tenant shall repair and pay for any damage caused by any act or omission of Tenant or Tenant's agents, employees, invitees, licensees or visitors. If the Leased Premises are in a multi-occupancy Project, Landlord reserves the right to perform, on behalf of Tenant, trash pick-up and removal and snow removal; Tenant agrees to pay Landlord, as additional rent, Tenant's pro rata share of the actual and reasonable cost of such services within thirty days from receipt of Landlord's invoice, or Landlord may by monthly invoice direct Tenant to prepay the estimated costs for the current calendar year, and such amount shall be adjusted annually. If the Leased Premises are served by rail, Tenant agrees, if requested by the railroad, to enter into a joint maintenance agreement with the railroad and bear its pro rata share of the cost of maintaining the railroad spur track. If Tenant fails to make the repairs or replacements promptly as required herein, Landlord may, at its option, make the repairs and replacements and the cost of such repairs and replacements shall be charged to Tenant as additional rent and shall become due and payable by Tenant within ten days from receipt of Landlord's invoice. Costs incurred under this section are the total responsibility of Tenant and do not constitute Operating Expenses under section 2.03.

5.04 Request for Repairs. All requests for repairs or maintenance that are the responsibility of Landlord pursuant to any provision of this Lease must be made in writing to Landlord at the address in section 1.05 and delivered pursuant to section 14.07. Notices sent by facsimile transmission shall not be considered proper notice for purposes hereof. After receipt of written notice, Landlord shall have a reasonable time within which to perform such repairs or maintenance.

5.05 Tenant Damages. Except for ordinary wear and tear, damage due to casualty, condemnation, or arising out of Landlord's failure to perform its obligations hereunder, Tenant shall not allow any damage to be committed on any portion of the Leased Premises or Project, and at the termination of this Lease, by lapse of time or otherwise, Tenant shall deliver the Leased Premises to Landlord in as good condition as existed at the Commencement Date of this Lease, ordinary wear and tear excepted. Landlord's standard move-out checklist shall be followed by Tenant to ensure compliance with this provision. The cost and expense of any repairs necessary to restore the condition of the Leased Premises shall be borne by Tenant. Should Landlord be required to expend any sums to ensure compliance with this Section 5.05, Tenant shall reimburse Landlord within ten (10) days of receipt of notice from Landlord.

5.06 Telecommunications Equipment. Upon expiration or termination of this Lease, Landlord may elect to have Tenant at Tenant's sole cost remove all telecommunications equipment and other facilities for

suggested by contractor and as outlined in Exhibit "B" attached hereto, within ten (10) days following Commencement Date. A copy of the service contract shall be provided to Landlord within thirty (30) days following the Commencement Date. In the event the service contract is not provided, then Landlord (i) shall have the right to select the contractor with whom Tenant shall enter into such contract and (ii) shall have the right, but not the obligation to have the work done and the cost therefore shall be charged to Tenant as additional rent and shall become payable by Tenant with the payment of the rent next due hereunder.

ARTICLE 6.00 ALTERATIONS AND IMPROVEMENTS

6.01 Landlord Improvements. On or before the Commencement Date, Landlord will complete the construction of the improvements to the Leased Premises, in accordance with plans and specifications agreed to by Landlord and Tenant, which plans and specifications are made a part of this Lease by reference and attached hereto as Exhibit "A". Tenant shall execute a copy of the plans and specifications and change orders, if applicable, setting forth the amount of any costs to be borne by Tenant within seven days of receipt of the plans and specifications. In the event Tenant fails to execute the plans and specifications and change orders if applicable, within the seven day period, Landlord may, at its sole option, declare this Lease canceled or notify Tenant that the Base Rent shall commence on the Commencement Date specifically set forth in section 1.03 even though the improvements to be constructed by Landlord may not be complete. Any changes or modifications to the approved plans and specifications shall be made and accepted by written change order or agreement signed by Landlord and Tenant and shall constitute an amendment to this Lease. Any improvements made by Landlord shall at once become the property of Landlord and shall be surrendered to Landlord upon the termination of this Lease without credit to Tenant. If required by Landlord, a construction addendum, entitled Construction by Landlord, shall be attached to and made a part of this Lease detailing Landlord's construction obligations herein. Upon completion of any such work, Landlord shall provide and Tenant shall acknowledge receipt and acceptance of "as built plans" of all work done in accordance with this Section 6.01.

6.02 Tenant Improvements. Tenant shall not make or allow to be made any alterations or physical additions in or to the Leased Premises without complying with all local, state and federal ordinances, laws, statutes and without first obtaining the written consent of Landlord, which consent may in the sole and absolute discretion of Landlord be denied. Any alterations, physical additions or improvements to the Leased Premises made by Tenant shall at once become the property of Landlord and shall be surrendered to Landlord upon the termination of this Lease without credit to Tenant; provided, however, Landlord, at its option, may require Tenant to remove any physical additions and/or repair any alterations in order to restore the Leased Premises to the condition existing at the time Tenant took possession, all costs of removal and/or alterations to be borne by Tenant. This clause shall not apply to moveable equipment or furniture owned by Tenant, which may be removed by Tenant at the end of the term of this Lease if Tenant is not then in default, if such equipment and furniture are not then subject to any other rights, liens and interest of Landlord and such removal can be accomplished without material damage to the Leased Premises. Upon completion of any such work by Tenant, Tenant shall provide Landlord with "as built plans", copies of all construction contracts and proof of payment for all labor and materials. To defray Landlord's costs associated with the approval and oversight of any alterations or physical additions in or to the Leased Premises that may be allowed by Landlord after the construction of the initial leasehold improvements to the Leased Premises and to confirm that such alterations or physical additions are in accordance with the terms of this Lease and comply with all applicable codes and ordinances, Tenant shall pay to Landlord or Landlord's manager as the case may be, a construction management fee equal to ten percent (10%) of the cost of such improvements. Such fee shall be paid one-half prior to commencement of such improvements and one-half upon completion thereof.

6.03 Mechanics Lien. Tenant will not permit any mechanic's or material men's lien(s) or other lien to be placed upon the Leased Premises or the Project and nothing in the Lease shall be deemed or construed in any way as constituting the consent or request of Landlord, express or implied, by inference or otherwise, to any person for the performance of any labor or the furnishing of any materials to the Leased Premises, or any part that would give the rise to any mechanic's or material man's or other lien against the Leased Premises. In the event any such lien is attached to the Leased Premises, then, in addition to any other right or remedy of Landlord, Landlord may, but shall not be obligated to, obtain the release or otherwise discharge the same. Any amount paid by Landlord for any of the aforesaid purposes shall be paid by Tenant to Landlord on demand as additional rent.

ARTICLE 7.00 CASUALTY AND INSURANCE

7.01 Substantial Destruction. If the Leased Premises should be totally destroyed by fire or other casualty, or if the Leased Premises should be damaged so that rebuilding cannot reasonably be completed within one ninety (90) days after the date of written notification by Tenant to Landlord of the destruction, or if the Leased Premises are part of a Building or Project which is substantially destroyed (even though the Leased Premises are not totally or substantially destroyed) this Lease shall terminate and the rent shall be abated for the unexpired portion of the Lease, effective as of the date of the written notification.

7.02 Partial Destruction. If the Leased Premises should be partially damaged by fire or other casualty, and rebuilding or repairs can reasonably be completed within one ninety (90) days from the date of written notification by Tenant to Landlord of the destruction, this Lease shall not terminate and Landlord shall at its sole risk and expense

7.03 Property Insurance. Landlord shall at all times during the term of this Lease maintain a policy or policies of insurance with the premiums paid in advance, issued by and binding upon some solvent insurance company, insuring the Project against all risk of direct physical loss in an amount equal to at least ninety percent of the full replacement cost of the Project structure and its improvements as of the date of the loss; provided, Landlord shall not be obligated in any way or manner to insure any personal property (including, but not limited to, any furniture, machinery, goods or supplies) of Tenant upon or within the Leased Premises, any fixtures installed or paid for by Tenant upon or within the Leased Premises, or any improvements which Tenant may construct on the Leased Premises. Tenant shall have no right in or claim to the proceeds of any policy of insurance maintained by Landlord even if the cost of such insurance is borne by Tenant as set forth in Article 2.00.

7.04 Waiver of Subrogation. Anything in this Lease to the contrary notwithstanding, Landlord and Tenant hereby waive and release each other of and from any and all right of recovery, claim, action or cause of action, against each other, their agents, officers and employees, for any loss or damage that may occur to the Leased Premises, improvements to the Project, or personal property within the Project, by reason of fire, explosion, or any other occurrence, regardless of cause or origin, including negligence of Landlord or Tenant and their agents, officers and employees. Landlord and Tenant agree immediately to give their respective insurance companies which have issued policies of insurance covering all risk of direct physical loss, written notice of the terms of the mutual waivers contained in this section and to have the insurance policies properly endorsed, if necessary, to prevent the invalidation of the insurance coverages by reason of the mutual waivers.

7.05 Hold Harmless. Landlord shall not be liable to Tenant's employees, agents, invitees, licensees or visitors, or to any other person, for an injury to person or damage to property on or about the Leased Premises caused by any act or omission of Tenant, its agents, servants or employees, any tenant in the Project, or of any other person entering upon the Leased Premises under express or implied invitation by Tenant, or caused by the improvements located on the Leased Premises becoming out of repair, the failure or cessation of any service provided by Landlord (including security service and devices), or caused by leakage of gas, oil, water or steam or by electricity emanating from the Leased Premises. Tenant agrees to indemnify and hold harmless Landlord of and from any loss, attorney's fees, expenses or claims arising out of any such damage or injury. Tenant shall not be liable to Landlord's employees, agents, invitees, licensees or visitors, or to any other person, for an injury to person or damage to property on or about the Leased Premises caused by any act or omission of Landlord, its agents, servants or employees, any tenant in the Project, or of any other person entering upon the Leased Premises under express or implied invitation by Landlord, or caused by the improvements located on the Leased Premises becoming out of repair, the failure or cessation of any service provided by Tenant (including security service and devices), or caused by leakage of gas, oil, water or steam or by electricity emanating from the Leased Premises. Landlord agrees to indemnify and hold harmless Tenant of and from any loss, attorney's fees, expenses or claims arising out of any such damage or injury.

7.06 Liability Insurance. Tenant shall at its sole expense, maintain at all times during the term of this lease public liability insurance with respect to the Leased Premises and the conduct or operation of Tenant's business therein, naming Landlord and such other parties designated by Landlord, as an additional insured, with limits of not less than \$2,000,000.00 for death or bodily injury to any one or more persons in a single occurrence and \$500,000.00 for property damage. Tenant shall deliver a certificate of such insurance to Landlord on or before the Commencement Date and thereafter on an annual basis or from time to time upon request.

ARTICLE 8.00 CONDEMNATION

8.01 Substantial Taking. If all or a substantial portion of the Leased Premises or a substantial portion of the Project (even though the Leased Premises are not taken) are taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain or by purchase in lieu thereof, and the taking would prevent or materially interfere with the use of the Leased Premises or the Project for the purpose for which it is then being used, then Landlord shall have the option to terminate this Lease and the rent shall be abated during the unexpired portion of this Lease effective on the date title or physical possession is taken by the condemning authority, whichever occurs first. Tenant shall have no claim to any condemnation award or proceeds in lieu thereof.

8.02 Partial Taking. If a portion of the Leased Premises or a portion of the Project shall be taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain or by purchase in lieu thereof, and this Lease is not terminated as provided in section 8.01 above, Landlord shall at Landlord's sole risk and expense, restore and reconstruct the Project and other improvements on the Leased Premises to the extent necessary to make it reasonably tenantable. The rent payable under this Lease during the unexpired portion of the term shall be adjusted to such an extent as maybe fair and reasonable under the circumstances. Tenant shall have no claim to any condemnation award or proceeds in lieu thereof.

ARTICLE 9.00 ASSIGNMENT OR SUBLEASE

hereunder. No assignee or subtenant of the Leased Premises or any portion thereof may assign or sublet the Leased Premises or any portion thereof. Notwithstanding anything to the contrary contained in this Lease, if the proposed subtenant or assignee is any entity which controls, is controlled by or is under common control with Tenant, or is any entity resulting from the merger or consolidation of Tenant, or is any person or entity which acquires assets of Tenant as a going concern of the business that is being conducted on the Premises (a "Permitted Transferee"), then Tenant may assign or sublet the Premises or any portion thereof to a Permitted Transferee without the prior written consent of Landlord (a "Permitted Transfer"). In the event that Tenant transfers all or part of its interest in this Lease under this Section 9.02 to any entity in which or with which Tenant or its corporate successors or assigns, is merged or consolidated, in accordance with applicable statutory provisions covering merger and consolidation of entities, then Tenant's obligations under this Lease must be assumed by the entity surviving such merger or created by such consolidation. For purposes of this section, "control" shall be deemed to mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of Tenant or any such corporation or entity as the case may be, whether through the ownership of voting securities, by contract, or otherwise.

9.03 Conditions of Assignment. If Tenant desires to assign or sublet all or any part of the Leased Premises, it shall so notify Landlord at least thirty (30) days in advance of the date on which Tenant desires to make such assignment or sublease. Except for a Permitted Transfer, Tenant shall provide Landlord with a copy of the proposed assignment or sublease and such information as Landlord might request concerning the proposed subtenant or assignee to allow Landlord to make informed judgments as to the financial condition, reputation, operations and general desirability of the proposed subtenant or assignee. Within fifteen (15) days after Landlord's receipt of Tenant's proposed assignment or sublease and all required information concerning the proposed subtenant or assignee, Landlord shall have the following options: (1) consent to the proposed assignment or sublease, pursuant to a Consent Agreement on a form approved by Landlord in its sole discretion, and, if the rent due and payable by any assignee or subtenant under any such permitted assignment or sublease (or a combination of the rent payable under such assignment or sublease plus any bonus or any other consideration or any payment incident thereto) exceeds the rent payable under this Lease for such space, Tenant shall pay to Landlord all such excess rent and other excess consideration within ten days following receipt thereof by Tenant; or (2) refuse, in its sole and absolute discretion and judgment, to consent to the proposed assignment or sublease, which refusal shall be deemed to have been exercised unless Landlord gives Tenant written notice providing otherwise. Upon the occurrence of an event of default, if all or any part of the Leased Premises are then assigned or sublet, Landlord, in addition to any other remedies provided by this Lease or provided by law, may, at its option, collect directly from the assignee or subtenant all rents becoming due to Tenant by reason of the assignment or sublease, and Landlord shall have a security interest in all properties on the Leased Premises to secure payment of such sums. Any collection directly, by Landlord from the assignee or subtenant shall not be construed to constitute a novation or a release of Tenant or any guarantor from the further performance of its obligations under this Lease. As a condition to the review of any assignment or sublease, Tenant shall deliver to Landlord or Landlord's manager as the case may be, a non-refundable fee of Fifteen Hundred Dollars (\$1,500.00) to defray the administrative costs with respect thereto. In addition, all legal fees and expenses incurred by Landlord or its manager in connection with the review of Tenant's requested assignment or sublease together with any legal fees and disbursements incurred in the preparation and/or review of any documentation required by the requested assignment or sublease, shall be the responsibility of Tenant and shall be paid by Tenant within five (5) days of demand for payment thereof. The non-refundable fee and legal expenses incurred as described herein will be due and payable regardless of whether or not Landlord approves the assignment or sublease as requested by Tenant.

9.04 Subordination. Tenant accepts this Lease subject and subordinate to any recorded mortgage or deed of trust lien presently existing upon the Project and to all existing recorded restrictions, covenants, easements and agreements with respect to the Project and to any renewals thereof. Provided that Tenant is not in default of any of the covenants and conditions hereof Landlord shall use its best efforts to provide Tenant with a non-disturbance agreement ("Non-Disturbance Agreement") executed by all existing and, as and when applicable, future mortgagees or lessors, which Non-Disturbance Agreement shall be in form and substance satisfactory to Tenant and shall provide that this Lease shall be recognized by such mortgagees or lessors and the rights of Tenant as set forth herein shall remain in full force and effect during the Term of this Lease so long as Tenant shall continue to timely perform all the covenants and conditions of this Lease. No subordination of this Lease shall operate to modify the terms of this Lease with respect to the rights of the parties to any condemnation award or insurance proceeds. If the interests of Landlord under this Lease shall be transferred by reason of foreclosure or other proceedings for enforcement of any first mortgage or deed of trust lien on the Leased Premises, Tenant shall be bound to the transferee (sometimes called the "Purchaser") at the option of the Purchaser, under the terms, covenants and conditions of this Lease for the balance of the term remaining, including any extensions or renewals, with the same force and effect as if the Purchaser were Landlord under this Lease, and, if requested by the Purchaser, Tenant agrees to attorn to the Purchaser, including the first mortgagee under any such mortgage if it be the Purchaser, as its Landlord. Should Purchaser elect to maintain existence of the Lease, Tenant shall not be credited as against Purchaser any prepaid rents or offsets against or credits due from Landlord.

9.05 Estoppel Certificates. Tenant agrees to furnish, from time to time, within fifteen (15) days after receipt of a request from Landlord, Landlord's mortgagee or any potential purchaser of the Project, a statement certifying, if applicable, the following: Tenant is in possession of the Leased Premises; the Leased Premises are acceptable; the Lease is in full force and effect; the Lease is unmodified; Tenant claims no present charge, lien, or claim of offset against the rent in aid for the current month, but is not prepaid for more than one month and will not be prepaid

ARTICLE 11.00 DEFAULT AND REMEDIES

11.01 Default by Tenant. The following shall be deemed to be events of default by Tenant under this Lease:

- (a) Tenant shall fail to pay, when due any installment of rent or any other payment required pursuant to this Lease within five (5) days after written notice from Landlord;
- (b) Tenant shall vacate or abandon any substantial portion of the Leased Premises;
- (c) Tenant shall fail to comply with any term, provision or covenant of this Lease, other than the payment of rent, and such failure shall continue for thirty (30) days after written notice from Landlord, provided, however, if such failure cannot reasonably be cured within such thirty (30) day period, then, provided Tenant has commenced such cure and diligently pursues same to completion, then such failure shall not be an event of default;
- (d) Tenant or any guarantor of Tenant's obligations hereunder shall file a petition or be adjudged bankrupt or insolvent under any applicable federal or state bankruptcy or insolvency law, or admit that it cannot meet its financial obligations as they become due; or a receiver or trustee shall be appointed for all or substantially all of the assets of Tenant or such guarantor; or Tenant or any guarantor of Tenant's obligations hereunder shall make a transfer in fraud of creditors or shall make an assignment for the benefit of creditors; or
- (e) Tenant shall do or permit to be done any act which results in a lien being filed against the Leased Premises or the Project.

11.02 Remedies for Tenant's Default. Upon the occurrence of any event of default set forth in this Lease, Landlord shall have the option to pursue any one or more of the remedies set forth herein without any notice or demand.

- (1) Without declaring the Lease terminated, Landlord may terminate Tenant's possession of the Leased Premises upon five (5) days' written notice to Tenant and upon entering into and taking possession of the Leased Premises, by picking locks if necessary, expel or remove Tenant and any other person who may be occupying all or any part of the Leased Premises without being liable for any claim for damages, and relet the Leased Premises on behalf of Tenant and receive the rent directly by reason of the reletting. Tenant agrees to pay Landlord on demand any deficiency that may arise by reason of any reletting of the Leased Premises; further, Tenant agrees to reimburse Landlord for any expenditures made by it in order to relet the Leased Premises, including, but not limited to, leasing commissions, lease incentives (including free rent), remodeling and repair costs.
- (2) Without declaring the Lease terminated, Landlord may upon five (5) days' written notice to Tenant enter upon the Leased Premises, by picking locks if necessary, without being liable for any claim for damages, and do whatever Tenant is obligated to do under the terms of this Lease. Tenant agrees to reimburse Landlord on demand for any expenses which Landlord may incur in effecting compliance with Tenant's obligations under this Lease; further, Tenant agrees that Landlord shall not be liable for any damages resulting to Tenant from effecting compliance with Tenant's obligations under this Lease caused by the negligence of Landlord or otherwise.
- (3) Landlord may terminate this Lease, in which event Tenant shall immediately surrender the Leased Premises to Landlord, and if Tenant fails to surrender the Leased Premises, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Leased Premises, by picking locks if necessary, expel or remove Tenant and any other person who may be occupying all or any part of the Leased Premises without being liable for any claim for damages. Tenant agrees to pay on demand the amount of all loss and damage which Landlord may suffer by reason of the termination of this Lease under this section, including without limitation, loss and damage due to the failure of Tenant to maintain and or repair the Leased Premises as required hereunder and/or due to the inability to relet the Leased Premises on terms satisfactory to Landlord or otherwise, and any expenditures made by Landlord in order to relet the Leased Premises, including, but not limited to, leasing commissions, lease incentives (including free rent), and remodeling and repair costs. In addition, upon termination Landlord may collect from Tenant the value of all future rentals required to be paid under this Lease from the date Landlord terminates the Lease until the original termination date in accordance with applicable law. Notwithstanding anything contained in this Lease to the contrary, this Lease may be terminated by Landlord only by mailing or delivering written notice of such termination to Tenant, and no other act or omission of Landlord shall be construed as a termination of this Lease.
- (4) In the event Landlord exercises any of its rights provided herein and Tenant subsequently cures such default, Landlord or Landlord's manager shall be entitled to receive a service charge of \$500.00 from Tenant for its time and expense, in addition to any other amounts owed hereunder (including attorney's fees), prior to

default under this Lease unless Landlord fails to cure such non-performance within thirty (30) days after written notice by Tenant. Should Landlord be in default of its obligations under this Lease, in addition to all other remedies available to Tenant under this Lease or at law or equity, Tenant may (but shall not be obligated to) perform the obligations of Landlord and the reasonable costs thereof shall be payable from Landlord to Tenant upon demand. If Landlord fails to reimburse Tenant on demand for the reasonable costs of performing Landlord's obligations, or if Landlord fails to pay Tenant any amounts due hereunder, within fifteen (15) days after Tenant gives Landlord written notice of such past due amount, then Tenant may in either of such events deduct any such amounts owing from Landlord from rents due or to become due to Landlord under this Lease.

ARTICLE 12.00 RELOCATION

[Intentionally Deleted]

ARTICLE 13.00 DEFINITIONS

13.01 Abandon. "Abandon" means the vacating of all or a substantial portion of the Leased Premises by Tenant or any approved subtenant, whether or not Tenant or any approved subtenant is in default of the rental payments due under this Lease.

13.02 Act of God or Force Majeure. An "act of God" or "force Majeure" is defined for purposes of this Lease as strikes, lockouts, sitdowns, material or labor restrictions by any governmental authority, unusual transportation delays, riots, floods, washouts, explosions, earthquakes, fire, storms, weather (including wet grounds or inclement weather which prevents construction), acts of the public enemy, wars, insurrections and any other cause not reasonably within the control of Landlord and which by the exercise of due diligence Landlord is unable, wholly or in part, to prevent or overcome.

13.03 Building or Project. "Project" as used in this Lease means the project described in section 1.02, including the Leased Premises and the land upon which the Project is situated. "Building" as used in this Lease means the building described in section 1.02 of which the Leased Premises are a part. [Note: The "Project" is not described in Section 1.02]

13.04 Commencement Date. "Commencement Date" shall be the date set forth in section 1.03. The Commencement Date shall constitute the commencement of the term of this Lease for all purposes, whether or not Tenant has actually taken possession.

13.05 Square Feet. "Square feet" or "square foot" as used in this Lease includes the area contained within the Leased Premises together with a common area percentage factor (if applicable) of the Leased Premises proportionate to the total Project area.

ARTICLE 14.00 MISCELLANEOUS

14.01 Waiver. Failure of Landlord to declare an event of default immediately upon its occurrence, or delay in taking any action in connection with an event of default, shall not constitute a waiver of the default, but Landlord shall have the right to declare the default at any time and take such action as is lawful or authorized under this Lease. Pursuit of any one or more of the remedies set forth in Article 11.00 above shall not preclude pursuit of any one or more of the other remedies provided elsewhere in this Lease or provided at law or in equity, nor shall pursuit of any remedy constitute forfeiture or waiver of any rent or damages accruing to Landlord by reason of the violation of any of the terms, provisions or covenants of this Lease. Failure by Landlord to enforce one or more of the remedies provided upon an event of default shall not be deemed or construed to constitute a waiver of the default or of any other violation or breach of any of the terms, provisions and covenants contained in this Lease.

14.02 Act of God. Neither Tenant (except for Tenant's obligation to pay rent) nor Landlord shall be required to perform any covenant or obligation in this Lease, or be liable in damages to each other, so long as the performance or non-performance of the covenant or obligation is delayed, caused or prevented by an act of God, force majeure or by the other party.

14.03 Attorney's Fees. In the event Tenant or Landlord defaults in the performance of any of the terms, covenants, agreements or conditions contained in this Lease and the non-defaulting party places in the hands of an attorney the enforcement of all or any part of this Lease, the collection of any rent due or to become due or recovery of the possession of the Leased Premises, the defaulting party agrees to pay non-defaulting party's costs of collection, including reasonable attorney's fees for the services of the attorney, whether suit is actually filed or not.

14.04 Successors. This Lease shall be binding upon and inure to the benefit of Landlord and Tenant and their respective heirs, personal representatives, successors and assigns. It is hereby covenanted and agreed that should Landlord's interest in the Leased Premises cease to exist for any reason during the term of this Lease then

14.06 Captions. The captions appearing in this Lease are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope or intent of any section.

14.07 Notice. All rent and other payments required to be made by Tenant shall be payable to Landlord at the address set forth in section 1.05. All payments required to be made by Landlord to Tenant shall be payable to Tenant at the address set forth in Section 1.05 or at any other address within the United States as Tenant may specify from time to time by written notice. For purposes hereof, any notice or document required or permitted to be delivered by the terms of this Lease (other than delivery of rental payments) shall be deemed to be delivered upon the earlier of actual receipt or (whether or not actually received) when deposited in the United States Mail, postage prepaid, certified mail, return receipt requested, addressed to the parties at the respective addresses set forth in section 1.05. Rental payments shall be deemed received upon actual receipt. Except as specifically set forth herein, in no event shall notice by facsimile transmission be proper notice under the terms of this Lease.

14.08 Submission of Lease. Submission of this Lease to Tenant for signature does not constitute a reservation of space or an option or offer to lease. This Lease is not deemed effective until execution by and delivery to both Landlord and Tenant.

14.09 Corporate Authority. If Tenant executes this Lease as a corporation, each of the persons executing this Lease on behalf of Tenant does hereby personally represent and warrant that Tenant is a duly authorized and existing corporation, that Tenant is qualified to do business in the state in which the Leased Premises are located, that the corporation has full right and authority to enter into this Lease, and that each person signing on behalf of the corporation is authorized to do so. In the event any representation or warranty is false, all persons who execute this Lease shall be liable, individually, as Tenant. Tenant shall additionally deliver 1) a corporate resolution authorizing execution of this Lease and confirming the authority of those persons executing the Lease, 2) certified Articles of Incorporation and 3) a certificate of existence and good standing from the State of Tennessee or if Tenant is not incorporated in Tennessee, a certificate of existence and good standing from Tenant's state of incorporation and a certificate evidencing Tenant's authority to do business in the State of Tennessee.

14.10 Partnership Authority. If Tenant executes this Lease as a general or limited partnership, each person executing this Lease on behalf of Tenant does hereby personally represent and warrant that Tenant is a duly authorized and existing partnership, that, if applicable, Tenant is qualified to do business in the state where the Leased Premises are located, that the partnership has full right and authority to enter into this Lease, and that each person signing on behalf of the partnership is authorized to do so. In the event any representation or warranty is false, all persons who execute this Lease shall be liable, individually, as Tenant. Tenant, shall additionally deliver a copy of its partnership agreement, and if a limited partnership, a copy of its certificate of limited partnership. The party executing the Lease on behalf of Tenant, if a corporate managing general partner or general partner, shall additionally deliver 1) a corporate resolution authorizing execution of this Lease and confirming the authority of those executing this Lease, 2) certified Articles of Incorporation, 3) a certificate of existence and good standing from the State of Tennessee or if such party is not incorporated in Tennessee, a certificate of existence and good standing from such party's state of incorporation and a certificate evidencing such party's authority to do business in the State of Tennessee.

14.11 Severability. If any provision of this Lease or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Lease and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

14.12 Landlord's Liability. If Landlord shall be in default under this Lease and, if as a consequence of such default, Tenant shall recover a money judgment against Landlord, such judgment shall be satisfied only out of the right, title and interest of Landlord in the Project as the same may then be encumbered and neither Landlord nor any person or entity comprising Landlord shall be liable for any deficiency. In no event shall Tenant have the right to levy execution against any property of Landlord nor any person or entity comprising Landlord other than its interest in the Project as herein expressly provided.

14.13 Indemnity. Landlord agrees to indemnify and hold harmless Tenant from and against any liability or claim, whether meritorious or not, arising with respect to any broker whose claim arises by, through or on behalf of Landlord.

14.14 Notice to Mortgagees. Provided that Tenant has received prior written notice of the name and address of such lender, Tenant shall serve written notice of any claimed default or breach by Landlord under this Lease upon any lender which is a beneficiary under any deed of trust or mortgage against the Leased Premises, and no notice to Landlord shall be effective against Landlord unless such notice is served upon said lender; notwithstanding anything to the contrary contained herein, Tenant shall allow such lender the same period following lender's receipt of such notice to cure such default or breach as is afforded Landlord.

14.15 No Recordation. Tenant shall not record this Lease without the prior written consent of Landlord.

business from and against all claims (and costs of defending against, and investigating such claims) of any other broker or similar parties claiming under the other party in connection with this Lease. Landlord represents and warrants to Tenant that Landlord has dealt with no broker except the broker which has been identified to Tenant and that, insofar as Landlord knows, no other broker negotiated this Lease or is entitled to any commission in connection herewith on behalf of Tenant.

Upon execution of this Lease, Landlord shall pay Grubb-Ellis| Memphis ("Tenant's Broker") a commission equal to 4% of the net lease value, which equals \$16,132.18.

14.18 Publication. Tenant hereby agrees that Landlord shall have the right, but not the obligation, at no cost to Tenant, to publicize and/or advertise the execution of this Lease and the related transaction.

14.19 Construction of Lease. Tenant declares that Tenant has read and understands all parts of this Lease, including all printed parts hereof. It is agreed that, in the construction and interpretation of the terms of this Lease, the rule of construction that a document is to be construed most strictly against the party who prepared the same shall not be applied, it being agreed that both parties hereto have participated in the preparation of the final form of this Lease. Wherever in this Lease a provision is made for liquidated damages, it is because the parties hereto acknowledge and agree that the determination of actual damages (of which such liquidated damages are in lieu) is speculative and difficult to determine; the parties agree that liquidated damages herein are not a penalty.

14.20 Financials. At Landlord's request from time to time Tenant shall furnish Landlord with true and complete copies of its most recent annual and quarterly financial statements prepared by Tenant or Tenant's accountants and any other financial information or summaries that Tenant typically provides to its lenders or shareholders.

ARTICLE 15.00 AMENDMENTS AND LIMITATION OF WARRANTIES

15.01 Entire Agreement. IT IS EXPRESSLY AGREED BY TENANT, AS A MATERIAL CONSIDERATION FOR THE EXECUTION OF THIS LEASE, THAT THIS LEASE, WITH THE SPECIFIC REFERENCES TO WRITTEN EXTRINSIC DOCUMENTS, IS THE ENTIRE AGREEMENT OF THE PARTIES; THAT THERE ARE, AND WERE, NO VERBAL REPRESENTATIONS, WARRANTIES, UNDERSTANDINGS, STIPULATIONS, AGREEMENTS OR PROMISES PERTAINING TO THIS LEASE OR TO THE EXPRESSLY MENTIONED WRITTEN EXTRINSIC DOCUMENTS NOT INCORPORATED IN WRITING IN THIS LEASE.

15.02 Amendment. THIS LEASE MAY NOT BE ALTERED, WANED, AMENDED OR EXTENDED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY LANDLORD AND TENANT.

15.03 Limitation of Warranties. LANDLORD AND TENANT EXPRESSLY AGREE THAT THERE ARE AND SHALL BE NO IMPLIED WARRANTIES OF MERCHANTABILITY, HABITABILITY, FITNESS FOR A PARTICULAR PURPOSE OR OF ANY OTHER KIND ARISING OUT OF THIS LEASE, AND THERE ARE NO WARRANTIES WHICH EXTEND BEYOND THOSE EXPRESSLY SET FORTH IN THIS LEASE.

ARTICLE 16.00 OTHER PROVISIONS

16.01 Systems. On the Commencement Date of this Lease, Landlord will deliver the Leased Premises to Tenant with (i) the existing lighting, heating, plumbing, electrical, ventilating and air conditioning systems, and (ii) the doors, door hardware and exterior door locks (the "Systems") in good operating condition. Tenant acknowledges that Landlord has no further obligations with regard to the Systems and that Tenant is obligated to maintain and repair the Systems as provided in section 5.03 of this Lease.

16.02 Finish Allowance: Prior to the Commencement Date, Landlord agrees to complete the following improvements to the Leased Premises at Landlord's sole cost: Build demising wall between the Leased Premises and the adjacent suites, separate utilities between suites (electricity and gas) and remove the existing furniture, and obtain a certificate of occupancy for such work. Any additional improvements requested of Landlord by Tenant shall be at Tenant's sole cost and shall be pre-approved by Landlord as per Article 6 hereof.

--- removed as mutually determined by Landlord and Tenant; and

B. The renewal term will contain no further Renewal Options unless expressly set forth herein or granted by Landlord in a subsequent writing.

If Tenant desires to exercise its renewal options hereunder, Tenant shall notify Landlord in writing of its intention to renew not later than six (6) months prior to the expiration date of the initial term of this Lease and/or other renewal terms of this Lease, thereupon, Landlord and Tenant shall work together, in good faith, to determine the FMV for such renewal term

16.04 Option to Cancel: Tenant shall have a one-time option to cancel this Lease during the first twelve (12) months of the Term in the event that Tenant is unable to obtain the required state of Tennessee licenses to operate an outpatient addiction treatment and counseling services business, including a Certificate of Need permit (CON) issued by the Tennessee Health Services and Development Agency (the "Option to Cancel"). If Tenant is unable to obtain said required licenses and or CON permit during said time period, Tenant shall notify Landlord in writing at least thirty (30) days in advance of its intention to exercise the Option to Cancel. In such event, Tenant shall immediately return possession of the Premises to Landlord (in the same condition in which the Premises were provided to Tenant, normal wear and tear excepted). In addition, any amounts owed at that time to Landlord under this Lease (including but not limited to any Rent, Additional Rent or other sums due hereunder) shall be paid concurrently with Tenant's notice of its intent to exercise this Option, and this Lease shall be considered null and void with no further obligation by either party effective as of thirty (30) days after the receipt by Landlord of Tenant's notice.

In addition, in the event that Tenant exercises its Option to Cancel, Tenant shall pay to Landlord concurrently with its notice of exercise of the Option to Cancel, any commissions that Landlord shall have paid to Tenant's Broker, Grubb & Ellis, (but not Landlord's broker or any other broker).

16.05 Pre-Paid Rent: Tenant shall, concurrently with Tenant's execution of this Lease, deposit with the Landlord the sum of eight-thousand, sixty-six and 09/100 dollars (\$8,066.09) as and for pre-paid rent. If Tenant exercises its Option to Cancel, Landlord shall retain the \$8,066.09 as consideration for Tenant's Option to Cancel. If Tenant does not exercise its Option to Cancel, Landlord shall, during the 13th month of the Term, issue a check to Tenant in the amount of the pre-paid rent above (\$8,066.09), and if Landlord fails to issue such check, then Tenant may offset rent due and owing hereunder by the amount of such prepaid rent \$8,066.09.

ARTICLE 17.00 SIGNATURES

SIGNED this 23 day of January, 2013.

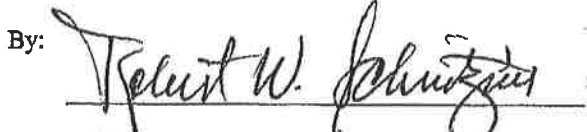
LANDLORD
CP Perimeter Point East, LLC, Tennessee limited liability company

By: 

Brett Baumgarten

Managing Partner **MEMBER**

TENANT
VCPHCS XXI, LLC, Delaware limited liability company

By: 

Name: Robert W. Schmitz

Title: CFO

2. Tenant will refer all contractors, contractor's representatives and installation technicians rendering any service on or to the Leased Premises for Tenant to Landlord for Landlord's approval before performance of any contractual service. Tenant's contractors and installation technicians shall comply with Landlord's rules and regulations pertaining to construction and installation. This provision shall apply to all work performed on or about the Leased Premises or Project, including installation of telephones, telegraph equipment, electrical devices and attachments and installations of any nature affecting floors, walls, woodwork, trim, windows, ceilings and equipment or any other physical portion of the Leased Premises or Project.

3. Tenant shall not at any time smoke within the Leased Premises. Smoking shall be permitted in the back exterior of the Building.

4. Tenant shall not at any time occupy any part of the Leased Premises or Project as sleeping or lodging quarters.

5. Tenant shall not place, install or operate on the Leased Premises or in any part of the Project any engine, stove or machinery, or conduct mechanical operations or cook thereon or therein, or place or use in or about the Leased Premises or Project any explosives, gasoline, kerosene, oil, acids, caustics, or any flammable, explosive or hazardous material without written consent of Landlord.

6. Landlord will not be responsible for lost or stolen personal property, equipment, money or jewelry from the Leased Premises or the Project regardless of whether such loss occurs when the area is locked against entry or not.

7. No dogs, cats, fowl, or other animals shall be brought into or kept in or about the Leased Premises or Project.

8. Employees of Landlord shall not receive or carry messages for or to any Tenant or other person or contract with or render free or paid services to any Tenant or to any of Tenant's agents, employees or invitees.

9. None of the parking, plaza, recreation or lawn areas, entries, passages, doors, elevators, hallways or stairways shall be blocked or obstructed or any rubbish, litter, trash, or material of any nature placed, emptied or thrown into these areas or such area used by Tenant's agents, employees or invitees at any time for purposes inconsistent with their designation by Landlord.

10. The water closets and other water fixtures shall not be used for any purpose other than those for which they were constructed, and any damage resulting to them from misuse or by the defacing or injury of any part of the Project shall be borne by the person who shall occasion it. No person shall waste water by interfering with the faucets or otherwise.

11. No person shall disturb occupants of the Project the use of any radios, record players, tape recorders, musical instruments, the making of unseemly noises or any unreasonable use.

12. Nothing shall be thrown out of the windows of the Project or down the stairways or other passages.

13. Tenant and its employees, agents and invitees shall park their vehicles only in those parking areas designated by Landlord. If requested by Landlord, Tenant shall furnish Landlord with state automobile license numbers of Tenant's vehicles and its employees' vehicles within five days after taking possession of the Leased Premises and shall notify Landlord of any changes within five days after such change occurs. Tenant shall not leave any vehicle in a state of disrepair (including without limitation, flat tires, out of date inspection stickers or license plates) on the Leased Premises or Project. If Tenant or its employees, agents or invitees park their vehicles in areas other than the designated parking areas or leave any vehicle in a state of disrepair, Landlord, after giving written notice to Tenant of such violation, shall have the right to remove such vehicles at Tenant's expense.

14. Parking in a parking garage or area shall be in compliance with all parking rules and regulations including any sticker or other identification system established by Landlord. Failure to observe the rules and regulations shall terminate Tenant's right to use the parking garage or area and subject the vehicle in violation of the parking rules and regulations to removal and impoundment. No termination of parking privileges or removal of impoundment of a vehicle shall create any liability on Landlord or be deemed to interfere with Tenant's right to possession of its Leased Premises. Vehicles must be parked entirely within the stall lines and all directional signs, arrows and posted speed limits must be observed. Parking is prohibited in areas not striped for parking, in aisles, where "No Parking" signs are posted, on ramps, in cross hatched areas, and in other areas as may be designated by Landlord. Parking stickers or other forms of identification supplied by Landlord shall remain the property of Landlord and not the property of Tenant and are not transferable. Every person is required to park and lock his vehicle. All responsibility for damage to vehicles or persons is assumed by the owner of the vehicle or its driver.

15. Movement in or out of the Project of furniture or office supplies and equipment, or dispatch or receipt by

16. Landlord shall not be liable for any damages from the stoppage of elevators for necessary or desirable repairs or improvements or delays of any sort or duration in connection with the elevator service.

17. Tenant shall not lay floor covering within the Leased Premises without written approval of the Landlord. The use of cement or other similar adhesive materials not easily removed with water is expressly prohibited. Landlord requires the use of carpet protectors at all desk areas in order to maintain the carpet in good condition and prevent abnormal wear.

18. Tenant agrees to cooperate and assist Landlord in the prevention of canvassing, soliciting and peddling within the Project.

19. Landlord reserves the right to exclude from the Project, between the hours of 6:00 p.m. and 7:00 a.m. on weekdays and at all hours on Saturday, Sunday and legal holidays, all persons who are not known to the Project security personnel and who do not present a pass to the Project signed by the Tenant. Each Tenant shall be responsible for all persons for whom he supplies a pass.

20. It is Landlord's desire to maintain in the Project the highest standard of dignity and good taste consistent with comfort and convenience for Tenants. Airy action or condition not meeting this high standard should be reported directly to Landlord. Your cooperation will be mutually beneficial and sincerely appreciated. Landlord reserves the right to make such other and further reasonable rules and regulations as in its judgment may from time to time be necessary, for the safety, care and cleanliness of the Leased Premises and for the preservation of good order therein.

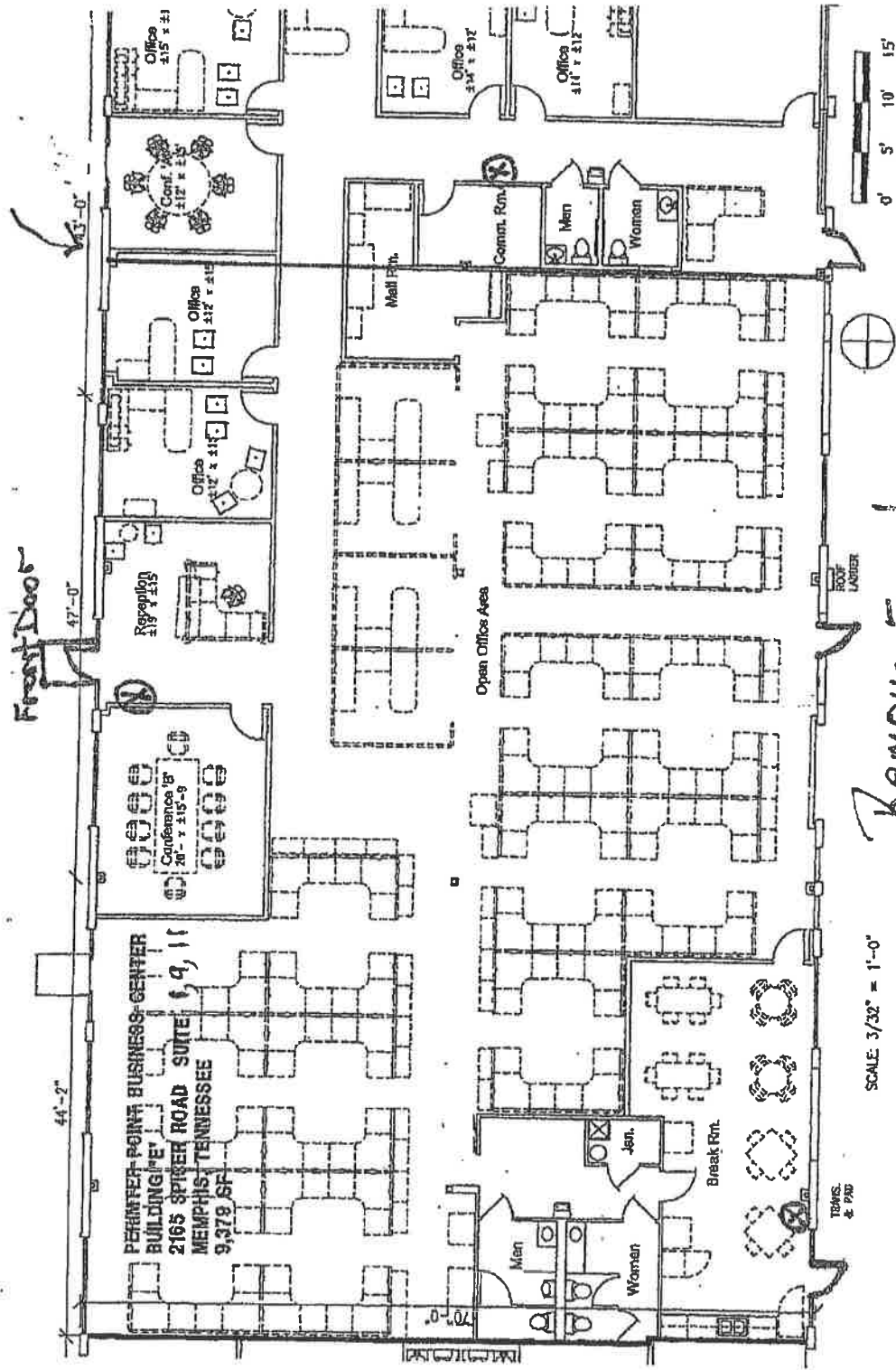
21. Tenant acknowledges that its use as a substance abuse rehabilitation facility within an office park requires Tenant to exercise a greater than average degree of care and responsibility for the actions of its patients, visitors and employees. As such, Tenant shall be fully responsible for ensuring that its patients, visitors and employees do not:

- Congregate in the parking areas or other common areas of the Project;
- Create a nuisance (in Landlord's sole judgment) for other Tenants, visitors or invitees at the Project;
- Use, exchange or purchase alcohol or controlled substances anywhere on or about the Premises or the Project;
- Visit or enter upon the Project after the Tenant's hours of operation;
- Leave trash of any kind in the parking lot, planters, landscaped areas or other common areas of the Project;
- Do anything which would increase Landlord's cost of insurance coverage.

Should Landlord or Landlord's agent notify Tenant that it is in violation of any of the foregoing Rules and Regulations, Tenant shall immediately take whatever action is necessary in order to curtail said activity and shall immediately reimburse Landlord for the cost of remedying any damages created by Tenant, its patients, visitors or employees. Failure by Tenant to comply with these Rules and Regulations shall constitute a Default by Tenant as such term is defined in Article 11.00 hereof.

Tenant's Initials:

Demising W.

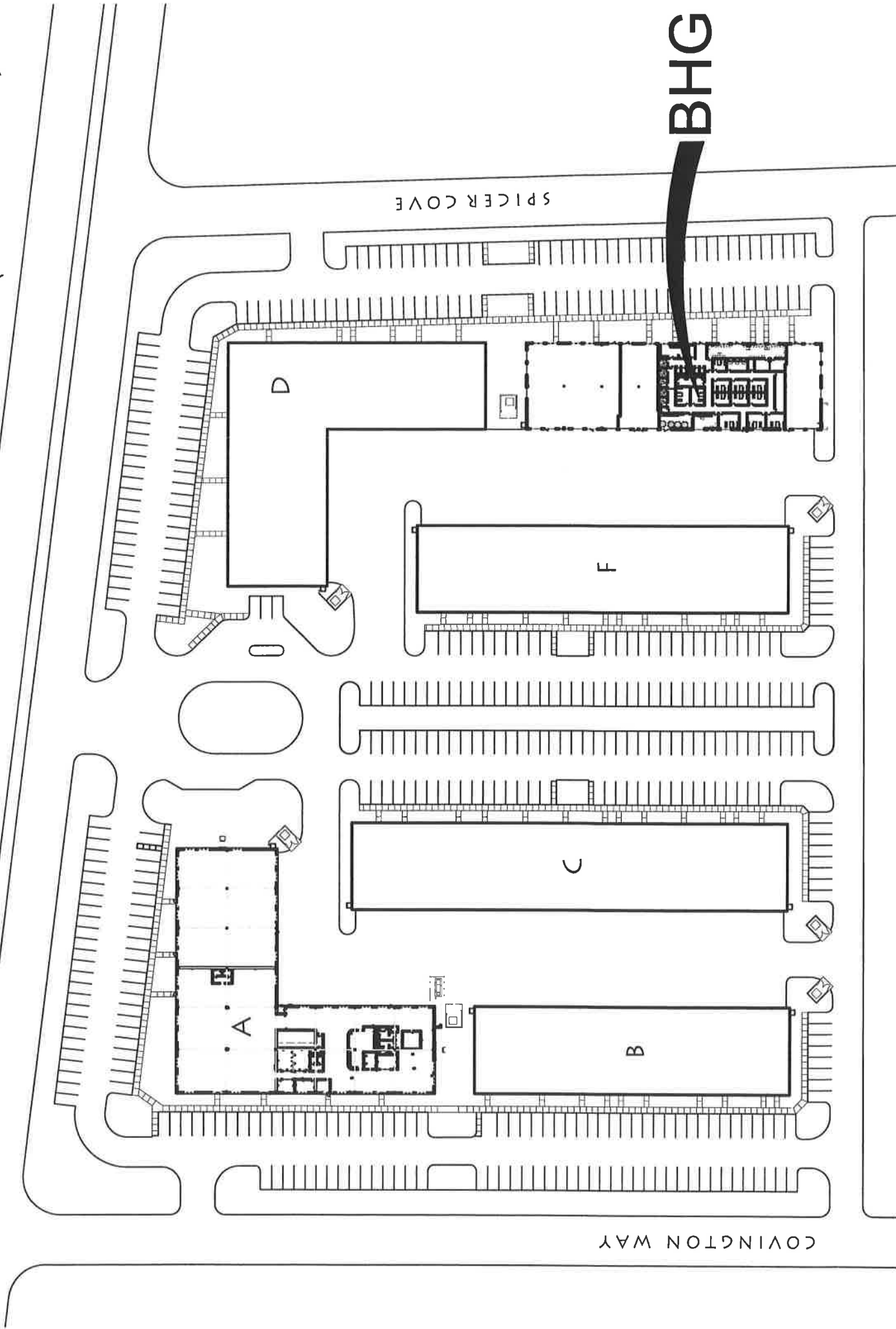


*Remove Furniture
Separate Utilities*

B.III.--Plot Plan

ELMORE ROAD

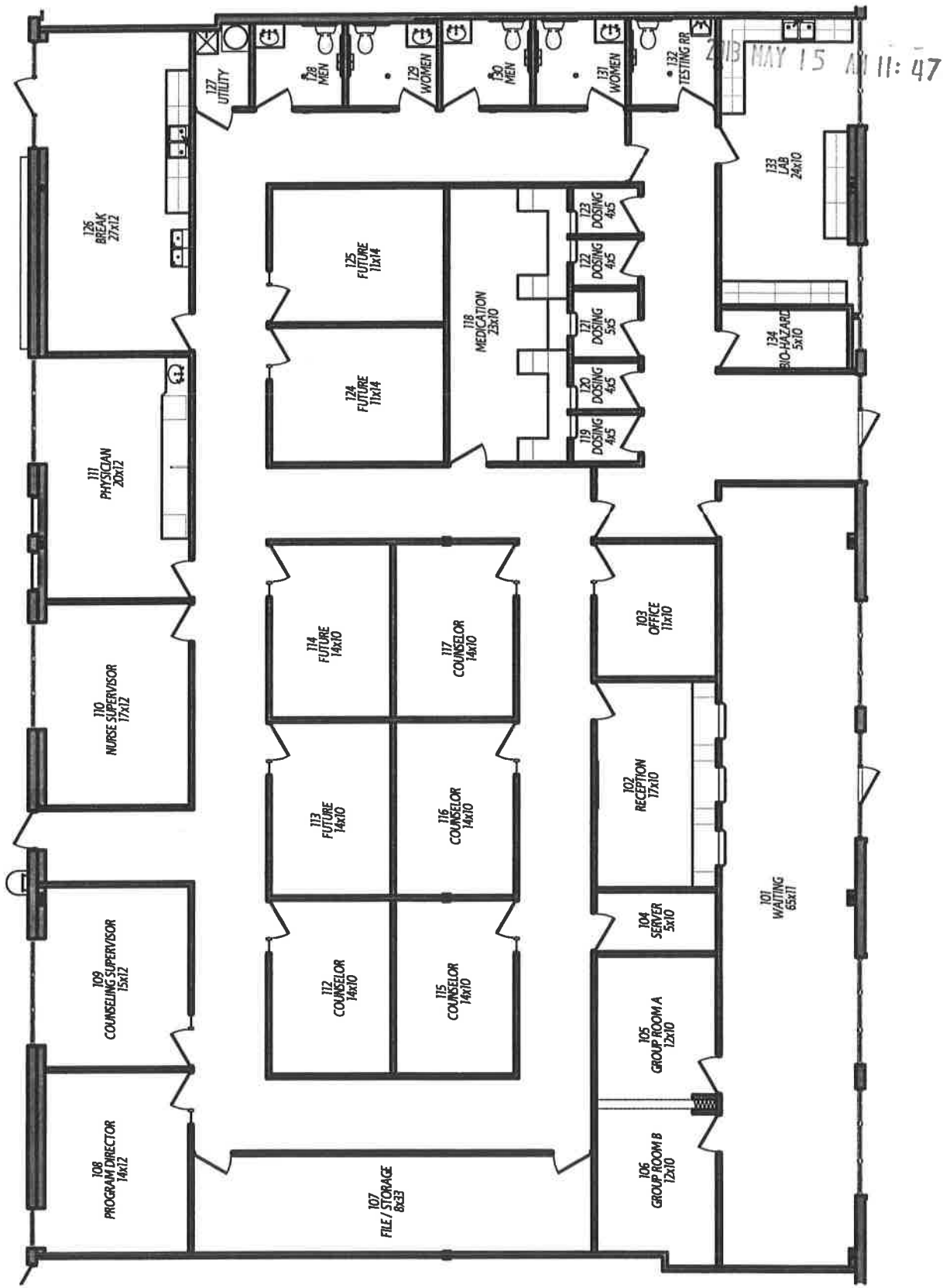
(11.73 ± ACRES)



B.IV.--Floor Plan



Hope • Respect • Caring



C, Need--1.A.3.e.
Medical Director Qualifications

JOHN F. O'CONNELL, M.D.
131 GARNER GROVE COVE
COLLIERVILLE, TN 38017
TELEPHONE: (901) 491-9447

2013 MAY 15 AM 11: 47

CURRICULUM VITAE

John F. O'Connell, M.D.

Birthdate: 5-23-52

Birthplace: Bay City, Michigan

Social Security No: 381-60-0246

Education:

All Saints High, Bay City, Michigan, 1970; Graduated Valedictorian	
Central Michigan University, Pleasant, Michigan	1970-71
Alma College, Alma, Michigan	1971-72
Memphis State University, Memphis, Tennessee	1972-73
University of Tennessee Medical School, Memphis, TN	1974-76 M.D. 12-76

Honors: AOA

Internship: City of Memphis Hospital 1977 Medicine

Residency: City of Memphis Hospital 1978-80 Medicine

Military Service: None

Board Certification: Board Eligible-Medicine 12-79; Board Certified 7-80

Medical Licensure: Tenn MD 010289 1977
Miss MD 16265 1999

Society Memberships: County Medical Society (Memphis and Shelby Co.); AOA

Instructor, Department of Medicine University of Tennessee 1980-81
1982-83
1985-87

Chief of Medicine, Health First 1980-82

Private Practice, Germantown Internal Medicine 1983-96

Chairman-Dept. of Medicine, Germantown Community Hospital 1987-91

Private Practice-Consulting only 1996-present

Hospital setting/Industrial on-site

Lakeside Behavioral Health - 1980 - 2009

Consulting on the medical management of chemically dependent adult patients on the high & low functioning units (West/East), Dual Diagnoses

JOHN F. O'CONNELL, M.D.
131 GARNER GROVE COVE
COLLIERVILLE, TN 38017
TELEPHONE: (901) 491-9447

Units, chemically dependent adolescents on the Adolescent, Bridges
Units and Recovery Academy.

Medical management included the initial history and physical evaluation,
current status of addictive disease and withdrawal, mental status
evaluation, physical complications of addictive disease and additional risk of
further complications along with a treatment plan for the above.

Consulting work at Federal Express - Sept. 1991-Nov. 1997

Initial start up of mandatory drug testing for aviation and highway
transportation employees/federally mandated random drug testing for all
covered employees with development of policies/procedures and coverage
provided as the Medical Review Officer.

US Dept. of Transportation/ FAA MROT Training- Sept. 1991

MRO Alert MRO Training Program - June 1992

Consulting work at the Med ER/Lakeside Triage Center/PDU Police Detention
Unit Aug. 2005 - Aug. 2009

Medical evaluation and assessment of all patients admitted to the PDU or
Lakeside Triage Center with treatment recommendations and urgent
treatment of patients in crisis with addictive disease and subsequent
complications.

Former Medical Director-Bright Glade and Court Manor

Former Medical Director-B'nai B'rith (Medical Administrator); Sycamore View and
Resthaven

As Medical Director of various nursing homes noted above, I have dealt with issues
of multiple mood altering drugs, drug tolerance and their subsequent
complications.

August 2009 completed seminar "Proper Prescribing Procedures Schedule II
Prescription Drug Abuse"

July 2010 completed seminar "Appropriate Use of Methadone in the OTP"

September 2010 completed seminar "Buprenorphine in the Treatment of
Opioid Dependence"

February 2011 completed seminar "Palliative Care and Pain Management
at the End of Life"

Program Physician for Raleigh Professional and Paris Professional Methadone
Clinics from February 2010 to the present



Title	Medical Director	Revised March 2010
Department(s)	Medical	
Reports to	Program Director / Regional Manager / Corporate Medical Director	

Job Summary

The Medical Director supervises the medical operations of the Opiate Treatment Program and is medically responsible for all patients enrolled in the treatment program, to include special populations (e.g., pregnant patients, HIV+, patients with Hepatitis C, patients with co-occurring disorders). The Medical Director must be able to assess individuals applying for admission as well as the physical and mental stability for outpatient substance abuse treatment. The Medical Director will adhere to federal and state regulations, accreditation standards and BHG policy and procedures. The Medical Director will perform duties within the scope of his/her licensure.

Summary of Essential Job Functions

❖ Core Duties and Responsibilities

- Ensure the timely completion of admission physicals, annual physicals, medical histories, laboratory testing (including TB screening) consistent with state and federal regulations, accreditation standards and sound medical practice
- Review all laboratory results as well as medical documentation from other healthcare providers and manage each patient according to established best practice and accrediting and regulatory guidelines
- Screen patients for common medical co-morbidities and evaluate co-existing medical conditions to identify potential medication impact/drug interactions, to include over-the-counter (OTC) medications
- Prescribe and titrate the appropriate dosage of methadone or suboxone consistent with the patient's medical and addiction history to establish a maintenance dose
- Order dose increases, decreases, detoxification, or supervised withdrawal after assessment of the patient and his/her current treatment history

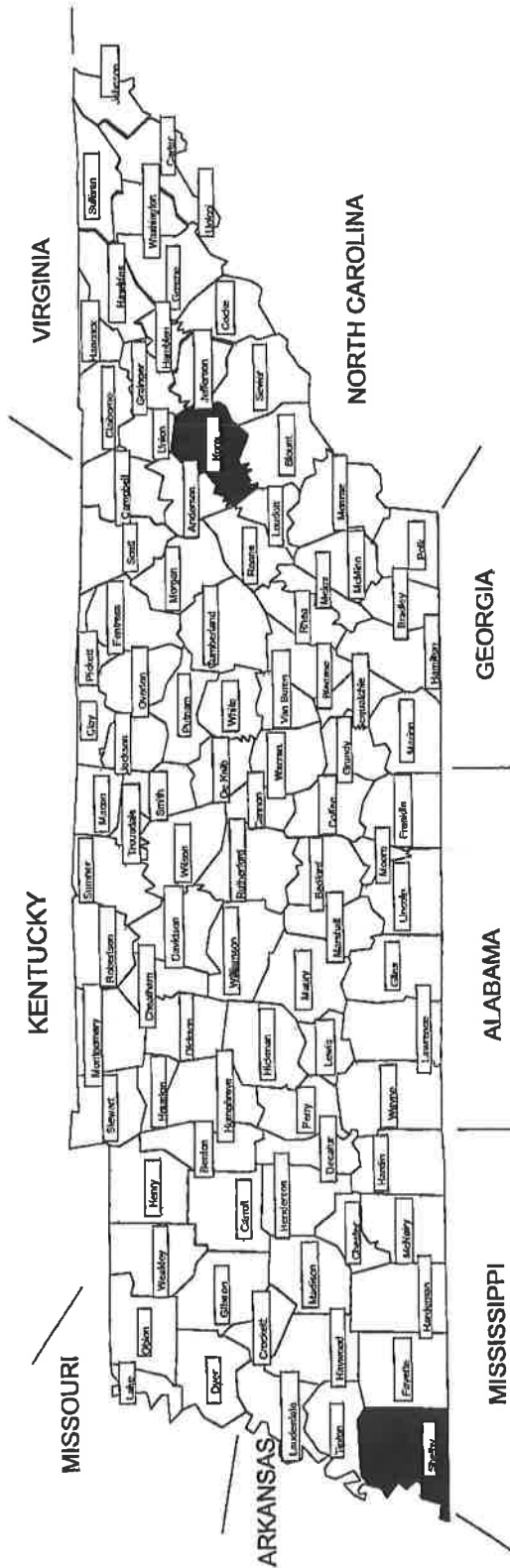
❖ **Core Duties and Responsibilities, (con't.)**

- Write medical orders based upon the individual needs of the patient and sign off on all medical orders within 72 hours. Review medical therapy and document those activities in the patient's chart
- Whenever necessary, provide or coordinate pharmacotherapy services to those patients who demonstrate need
- Whenever necessary, collaborate and coordinate care with other physicians, clinics or hospitals participating in the treatment of program patients
- Provide the medical input into overall treatment program philosophy, treatment services, and patient care
- Provide consultation to medical, clinical, and administrative staff in formulation and implementation of each patient's medical treatment
- Solicit feedback from clinical and administrative staff regarding patient requests and changes in patient behavior
- As requested, conduct in-service training and community education (participate in and periodically lead community consultation and mental health education as it relates to substance abuse)
- Assist in developing affiliations and collaborative relationships with community based medical providers
- Ensure that each patient receives adequate services addressing communicable diseases, including risk evaluation, clinically appropriate testing, and appropriate counseling related to testing
- Ensure treatment center meets all accreditation standards related to include medical, health, and safety issues, and other areas as assigned
- Provide medical training and supervision as related to Opioid Treatment for physicians and nurse practitioners where applicable working at the clinic
- Provide medical supervision and maintain records for Nurse Practitioner as required by state law
- Participate in peer reviews for BHG Medical Directors and/or Program Physicians as requested to comply with accrediting agency requirements.
- Provide input to Program Director on medication nurses' annual performance evaluation on the medical aspects of their position, when required to comply with accrediting agency requirements.
- Ensure 24 hour per day availability to respond in a timely manner to treatment center staff and emergency care providers when they require consultation for one of the program's patients.
- Responsible for the achievement of assigned treatment center specific annual goals and objectives
- Implementation and enforcement of the BHG's Code of Ethics and Conduct

C, Need--3
Service Area Maps

March 2011

Tennessee Opioid Treatment Clinics



○ ONE LOCATION ● TWO LOCATIONS ● THREE LOCATIONS

BHG
(9)

*** Shelby (Memphis)**
ADC Recovery & Counseling Center
3041 Getwell, Suite 101
Memphis, TN 38118
(901) 375-1050
Hours of Operation M-F 5a-1:30p; Sat 6a-9a
Dosing Hours M-F 5:30a-11a; Sat 6a-9a

*** Memphis Center for Research & Addiction**
1270 Madison Ave
Memphis, TN 38104
(901) 722-9420
Hours of Operation M-F 5:45a-2p; Sat 6a-9a
Dosing Hours M-F 5:45a-1p; Sat 6a-9a

*** Raleigh Professional Associates**
2960-B Austin Peay Hwy
Memphis, TN 38128
(901) 372-7878
Hours of Operation M-F 5a-1p; Sat 6a-10a
Dosing Hours M-F 5a-9a; Sat 6a-10a

*** Dyer (Dyersburg)**
MidSouth Treatment Center
640 Hwy 51 Bypass 3, Suite M
Dyersburg, TN 38024
(731) 285-6535
Hours of Operation M-Sat 5a-11a
Dosing Hours M-F 5a-11a; Sat 6a-10a

*** Madison (Jackson)**
Jackson Professional Associates
1869 Hwy 45 Bypass, Suite 5
Jackson, TN 38305
(731) 660-0880
Hours of Operation M-F 5a-1p; Sat 6a-2p
Dosing Hours M-F 5a-1p; Sat 6a-2p

*** Henry (Paris)**
Paris Professional Associates
2555 East Wood Street
Paris, TN 38242
(731) 641-4545
Hours of Operation M-Sat 5a-1p
Dosing Hours M-Sat 5a-1p

*** Hahn (Savannah)**
Solutions of Savannah
85 Harrison Street
Savannah, TN 38372
(731) 925-2767
Hours of Operation M-Sat 5:30a-12p
Dosing Hours M-F 5:30a-11a; Sat 6a-9a

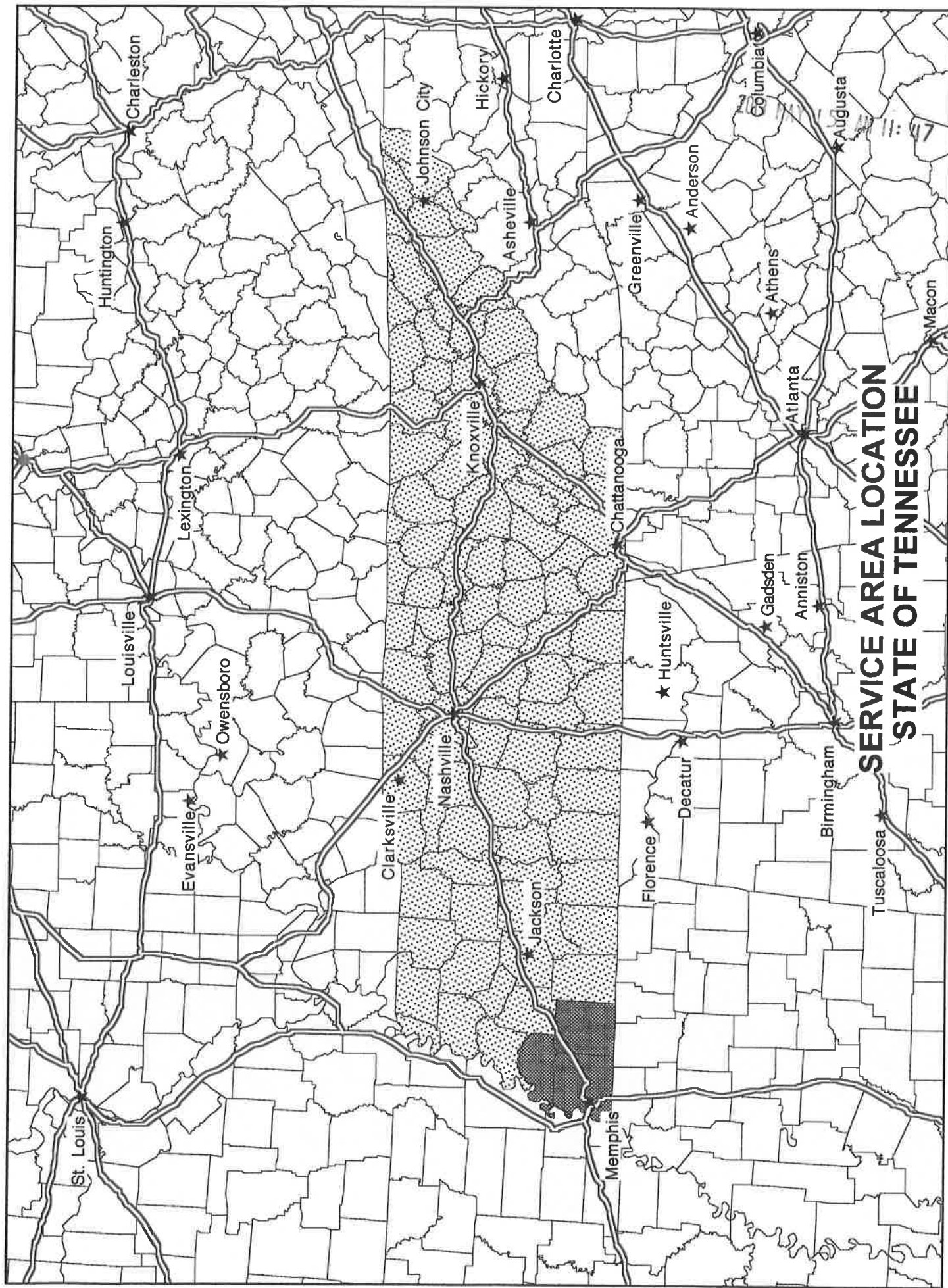
*** Mary (Columbia)**
Recovery of Columbia
1202 South James Campbell Blvd.
Columbia, TN 38401
(931) 381-0020
Hours of Operation M-Sat 5:30a-11a
Dosing Hours M-F 5:30-11a; Sat 6a-9a

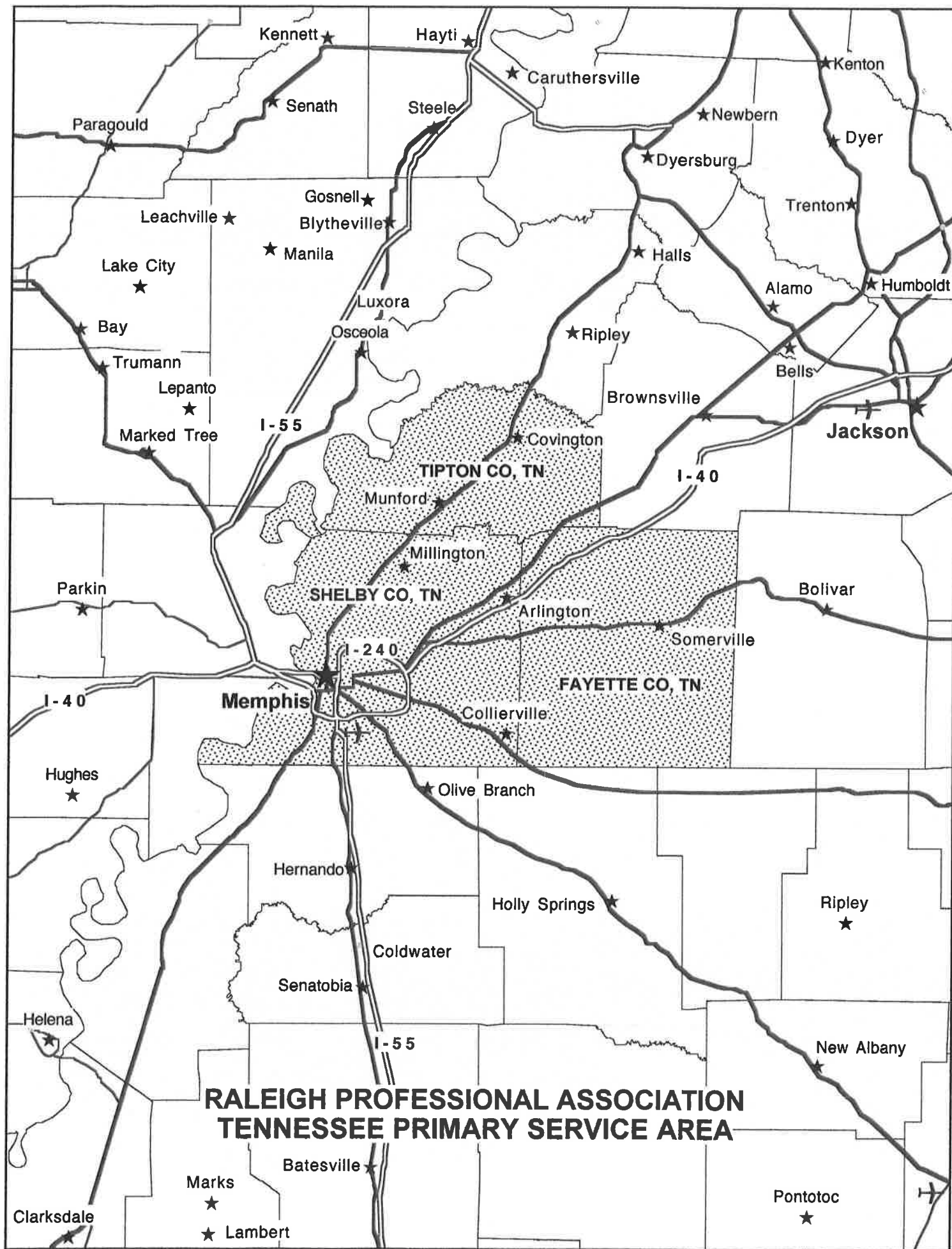
*** Davidson (Nashville)**
Middle Tennessee Treatment Center
2410 Charlotte Avenue
Nashville, TN 37203
(615) 321-2575
Hours of Operation M-Sat 6a-1p
Dosing Hours M-F 6a-1p; Sat 6a-9a

*** Hamilton (Chattanooga)**
Volunteer Treatment Center, Inc.
2347 Rossville Blvd
Chattanooga, TN 37408
(423) 265-3122
Hours of Operation M-Sat 5:30a-2p
Dosing Hours M-F 5:30a-12:30p; Sat 5:30-11a

*** Knox (Knoxville)**
DRD Knoxville Medical Clinic-Central
412 Citico Street
Knoxville, TN 37921
(865) 522-0661
Hours of Operation M-Sat 5:30a-2:30p
Dosing Hours 5:30a-11p; Sat 6a-9a

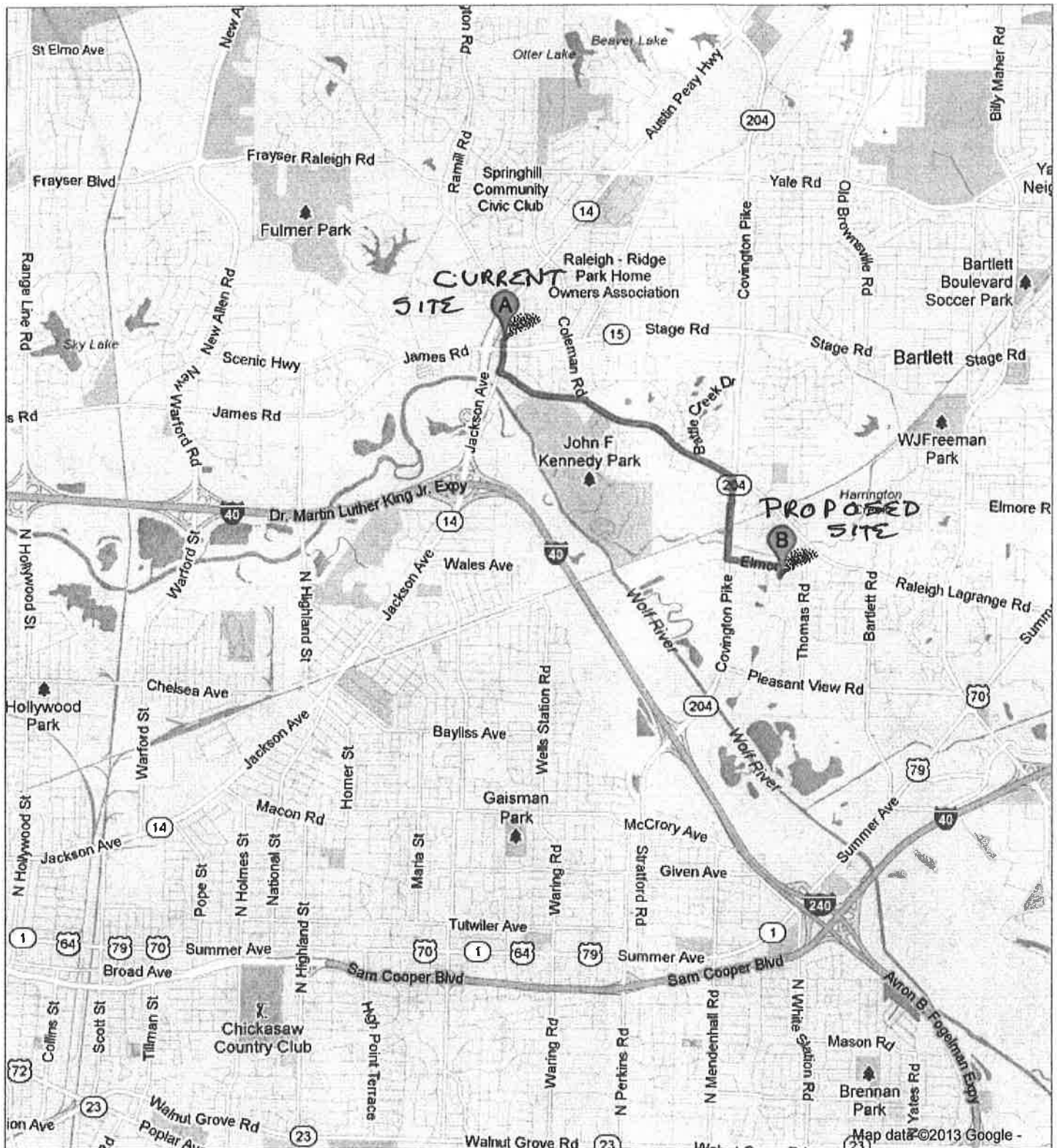
*** DRD Knoxville Medical Clinic-Bernard**
626 Bernard Avenue
Knoxville, TN 37921
(865) 522-0161
Hours of Operation M-Sat 5:30a-2:30p
Dosing Hours M-F 5:30a-11a; Sat 6a-9a





Google

To see all the details that are visible on the screen, use the "Print" link next to the map.



C, Economic Feasibility--1
Documentation of Construction Cost Estimate

C, Economic Feasibility--2
Documentation of Availability of Funding



Hope • Respect • Caring

8300 Douglas Avenue
Suite 750
Dallas, TX 75225
214-365-6100
bhgrecovery.com

2013 MAY 15 AM 11:47

May 13, 2013

Melanie M. Hill, Executive Director
Tennessee Health Services and Development Agency
Frost Building, Third Floor
161 Rosa Parks Boulevard
Nashville, Tennessee 37203

RE: VCPHCS XXI, LLC
Certificate of Need Application to Change Location

Dear Ms. Hill:

VCPHCS XXI, LLC d/b/a Raleigh Professional Associates is applying for a Certificate of Need to move to a new site in Memphis. This will require a capital expenditure estimated at approximately \$690,000.

The applicant LLC's only member is VCPHCS L.P., a limited partnership which does business as Behavioral Health Group (BHG). I am the President and Chief Operations Officer of Behavioral Health Group.

I am writing to confirm that VCPHCS XXI, LLC has sufficient cash assets to implement this project. The LLC's income statement and balance sheet are included in the application as documentation of its ability to provide project funding.

Sincerely,

James F. Draudt
President & Chief Operating Officer

C, Economic Feasibility--10
Financial Statements

VCPHCS XXI, LLC
Income Statement
For the 12 Months Ended March 2013

Revenue	\$ 1,258,906
Cost of Sales	708,700
Gross Profit	\$ 550,206
Operating Exp. - Clinics	293,387
EBITDA	\$ 256,819
Depreciation & Amortization	205,990
EBIT	\$ 50,829
Interest Income	\$ -
Interest Expense	184,781
Pre-Tax Income	(133,952)
Taxes	-
Net Income	\$ (133,952)

VCPHCS XXI, LLC*Balance Sheet as of March 30, 2013***ASSETS**

Cash on Hand	\$	23,307
Segregated Cash		
Accounts Receivable		-
Inter-company VCPHCS		1,834,805
Intercompany Applan		-
Intercompany DRD		88,281
Inventory		1,806
Prepaid Assets		17,089
Other Current Assets		-
<hr/>		
Total Current Assets	\$	1,965,288
<hr/>		
Non-Current Assets		
Investments DRD	\$	-
Investments in DRD Holdings		-
Investments-Applan		-
Investments-VCPHCS		-
Long Term Investments		-
Fixed Assets		38,997
Goodwill		354,425
Intangible Assets		261,424
Notes Receivable due LLC Subs and DRD Mgmts		-
Other Assets		5,857
<hr/>		
Total Non-Current Assets	\$	660,703
<hr/>		
Total Assets	\$	2,625,991
<hr/>		

LIABILITIES

Current Liabilities		
Accounts Payable	\$	8,670
Short Term Notes Payable		-
Current Portion of Capitalized Lease Obligation		-
Current Maturities of Long-term Debt		-
Inter-company Payables-DRD		103,824
Deferred Revenue		
Accrued Expenses		20,303
Accrued Taxes		(40,622)
<hr/>		
Total Current Liabilities	\$	92,175
<hr/>		
Long-term Debt	\$	-
Notes Payable due LLC Subs and DRD Mgmt		
Deferred Lease Liability		-
Deferred Income Taxes, Net		3,521
<hr/>		
Long-Term Liabilities	\$	3,521
<hr/>		
Total Liabilities	\$	95,696
<hr/>		
Treasury Stock	\$	-
Opening Balance		411,920
Paid-In Capital		-
Prior Ownership Retained Earnings		-
Retained Earnings		2,061,822
Net Income YTD		56,553
<hr/>		
Stockholders' Equity	\$	2,530,295
<hr/>		
Liabilities and Shareholder's Equity	\$	2,625,991
<hr/>		



Tel: 214-969-7007
Fax: 214-953-0722
www.bdo.com

700 North Pearl, Suite 2000
Dallas, Texas 75201

2013 MAY 15 AM 11: 47

May 13, 2013

Ms. Melanie Hill, Executive Director
Tennessee Health Services and Development Agency
Frost Building, Third Floor
161 Rosa Parks, Boulevard
Nashville, TN 37203

Dear Ms. Hill:

We have audited the consolidated financial statements of BHG Holdings, LLC, (BHG) (Parent Entity of VCPHCS LP) which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, members' equity and cash flows for the year ended December 31, 2012 and the period from June 30, 2011 (Inception) through December 31, 2011, and the related notes to the consolidated financial statements. In connection therewith, we issued an unqualified opinion dated March 27, 2013 on such consolidated financial statements.

These consolidated financial statements are the responsibility of BHG's management. As reflected in the consolidated balance sheet as of December 31, 2012, the cash balance is in excess of \$2.5 million and total assets as of December 31, 2012, is in excess of \$22.0 million.

Our audits of the consolidated financial statements as of December 31, 2012 and 2011, and for the year ended December 31, 2012 and the period from June 30, 2011 (Inception) through December 31, 2011 comprised audit tests and procedures deemed necessary for the purpose of expressing an opinion on such consolidated financial statements taken as a whole, and not on the individual account balances or totals referred to above.

Very truly yours,

BDO USA, LLP

Behavioral Health Group
Balance Sheet as of March 30, 2013

ASSETS

Cash on Hand	\$	1,215,150
Segregated Cash		-
Accounts Receivable		257,164
Inter-company VCPHCS		-
Intercompany Appian		-
Intercompany DRD		-
Inventory		128,004
Prepaid Assets		958,711
Other Current Assets		294
Total Current Assets	\$	2,559,323
Non-Current Assets		
Investments DRD	\$	-
Investments in DRD Holdings		-
Investments-Appian		-
Investments-VCPHCS		-
Long Term Investments		12,500
Fixed Assets		4,857,934
Goodwill		94,849,082
Intangible Assets		10,859,606
Notes Receivable due LLC Subs and DRD Mgmts		-
Other Assets		1,220,746
Total Non-Current Assets	\$	111,799,868
Total Assets	\$	114,359,191

LIABILITIES

Current Liabilities		
Accounts Payable	\$	407,713
Short Term Notes Payable		-
Current Portion of Capitalized Lease Obligation		-
Current Maturities of Long-term Debt		396,339
Inter-company Payables-DRD		-
Deferred Revenue		-
Accrued Expenses		2,050,720
Accrued Taxes		(65,440)
Total Current Liabilities	\$	2,789,332
Long-term Debt	\$	53,989,360
Notes Payable due LLC Subs and DRD Mgmt		-
Deferred Lease Liability		16,836
Deferred Income Taxes, Net		596,732
Long-Term Liabilities	\$	54,602,928
Total Liabilities	\$	57,392,260
Treasury Stock	\$	-
Opening Balance		-
Paid-in Capital		63,908,500
Prior Ownership Retained Earnings		-
Retained Earnings		(5,772,771)
Net Income YTD		(1,168,798)
Stockholders' Equity	\$	56,966,931
Liabilities and Shareholder's Equity	\$	114,359,191

C, Orderly Development--7(C)
TDH Inspection & Plan of Correction

OCT 25 2012



**LICENSURE PLAN OF COMPLIANCE
REVIEW AND APPROVAL STATUS FORM**
STATE OF TENNESSEE
Department of Mental Health and Substance Abuse Services

NAME AND ADDRESS OF LICENSEE:

Mr. James Draudt, Director/President and COO
VCPHCS XXI
8300 Douglas Avenue, Suite 750
Dallas, TX 75225
RE: Raleigh Professional Associates

NOTICE TO LICENSEE: A review has been completed of your recently submitted plan of compliance. The approval status given your plan is indicated on this form below. A copy of your plan of compliance is being returned to you and is enclosed. Read the approval status given below carefully. This approval status form and your plan of compliance should become part of your records.

DATE OF THIS FORM:
October 22, 2012

DATE OF ORIGINAL NOTICE OF NON-COMPLIANCE:
October 9, 2012 (Annual Inspection 10/9/12)

I. REVIEW OF PLAN OF COMPLIANCE COMPLETED BY:

SIGNATURE OF TDMHSAS REVIEWER:

NAME OF TDMHSAS REVIEWER:

Sandra H. Randle

TITLE/POSITION:

West Tennessee Licensure Surveyor

TDMHSAS OFFICE ADDRESS:

West Tennessee Office of Licensure and Review
170 N. Main, 12th Floor
Memphis, TN 38103

II. APPROVAL STATUS OF PLAN OF COMPLIANCE:

NOTE: The initials of the TDMHSAS staff person reviewing your plan appear in the box next to the approval status given to your plan.

☒ **APPROVED.** Your plan of compliance is acceptable. You are expected to meet the terms of your plan. Re-inspection will be conducted to verify compliance.

☐ **APPROVED WITH EXCEPTIONS.** Exceptions have been made to your plans or dates for compliance. The exceptions are described below. **Important:** Indicate your agreement with the exceptions by signing below and returning the original copy of this form. Re-inspection will be conducted to verify compliance.

☐ **REJECTED-RESUBMIT.** Your plan of compliance was found to be unacceptable for the rules and reasons listed below. You must submit another plan of compliance, which better describes your compliance plans. Another Notice of Non-Compliance and Plan of Compliance form is attached.

☐ **REJECTED-SANCTION.** Your plan of compliance was unacceptable for the reasons described below. The attached letter describes the sanction to be taken against your license and the appeals process open to you.

III. APPROVAL STATUS JUSTIFICATION (If Applicable):

**Reference Rule
No. #0940-5-**

Explanation of any exception to, or rejection of, the Plan of Compliance:

Your Plan of Compliance has been approved.


IV. LICENSEE'S AGREEMENT WITH EXCEPTIONS (When Applicable)

If your plan of compliance is approved with exceptions, then indicate your agreement to comply with the exceptions noted above by checking one of the following statements and signing below. (After signing below return this form to the address listed above.)

☐ I Agree ☐ I Disagree. An explanation for my disagreement is attached.

SIGNATURE OF LICENSEE OR AUTHORIZED AGENT:

DATE OF SIGNATURE:

 <p>LICENSURE NOTICE OF NON-COMPLIANCE AND PLAN OF COMPLIANCE FORM STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES</p>		<p>DATE OF NOTICE: October 9, 2012</p> <p>PAGE 1 OF 1 PAGE(S)</p>	<p>NOTICE OF NON-COMPLIANCE TO: (Licensee's Name & Address) VCPHCS VHT, LLC X-1 8300 Douglas Avenue, Suite 750 Dallas, TX 75225 Attn: Mr. James Drandt, President and COO</p>
<p>NAME AND ADDRESS OF TDMHSAS OFFICE SENDING NOTICE: West Tennessee Office of Licensure and Review 170 N. Main, 12th Floor Memphis, TN 38103 Attn: Ms. Sandra H. Randle, West Tennessee Licensure Surveyor</p>		<p>EVENT AND DATE RESULTING IN THIS NOTICE: Annual Inspection October 9, 2012</p>	<p>NAME AND LOCATION OF FACILITY IN NON-COMPLIANCE: Raleigh Professional Associates 2960-B Anstine Peay Highway Memphis, TN 38128 A & D Non-Residential Opiate Treatment Facility</p>
<p>NOTICE TO LICENSEE: Your facility has been found to be in non-compliance with the rule(s) listed on this form. You must provide a plan for complying with each rule cited in non-compliance. Type or print your plan(s) in the space provided on this form. Include the date by which you will be in compliance with each rule cited. Sign and date each page of the form. Return this form by the indicated date to the address of the TDMHSAS Office listed above.</p>			<p>YOUR PLAN OF COMPLIANCE MUST BE RETURNED NO LATER THAN: October 22, 2012</p>

REFERENCE RULE NUMBER 0940-5-	SUMMARY OF THE FINDINGS OF NON-COMPLIANCE WITH THE RULES REFERENCED	P.O.C. Review Code*	DESCRIBE BELOW YOUR PLAN FOR COMPLYING WITH EACH RULE IN NON-COMPLIANCE	YOUR PLANNED DATE OF COMPLETION
4-04(2)	The emergency light in the main lobby would not illuminate when tested.	A	State Systems, Inc. (SSI) will inspect, repair and/or install emergency lights. SSI inspected extinguishers, and re-tagged on 10/11/12. SSI installed emergency light in Front Lobby/Waiting Area. SSI noted that all emergency lighting passed inspection. (See attached work order). Also tested by Program Director.	10/11/12 (Complete)
4-04(2)	The bulbs on the emergency light in the lobby at the employee entrance were directed upward toward the ceiling rather than downward toward the path of egress.	A	This finding was corrected by Program Director during the inspection as witnessed by Sandra Randle. SSI verified angle of the bulbs on 10/11/12.	10/9/12, 10/11/12 (complete)

<p>SIGNATURE OF TDMHSAS REVIEWER OF P.O.C. <i>Sandra H. Randle</i></p>		<p>DATE OF REVIEW: 10-22-12</p>
<p>SIGNATURE OF LICENSEE OR AUTHORIZED AGENT: <i>[Signature]</i></p>		<p>DATE OF SIGNATURE: 10/18/12</p>

P.O.C. Review Codes: (See Review & Approval Status Form For Explanations.) A=Approved AE=Approved With Exception RP=Rejected-Resubmit RS=Rejected-Sanction



statesystems inc.
protecting life & property

PO BOX 372 DEPT. 90 • MEMPHIS, TN 38101
(901) 542-0612 1-800-727-5512 FAX (901) 542-0622
WWW.STATESYSTEMSINC.COM

BRANCH OFFICES

Oblon, TN / 731-536-5999
Jackson, TN / 731-423-1221
Jonesboro, AR / 870-932-2212
Oxford, MS / 662-238-7834
Tupelo, MS / 662-840-6601

WORK ORDER

No. **M- 56279**

LOCATION Kalbach Professional Association
4610B Madison Road
Memphis, Tenn. 38122
Contact _____

B _____
I _____
T _____
L _____
Phone _____

DATE		CUST. P.O. NO.				SALES #				TECH #		CUST. NO.		NEW	
QTY.	INSP.	RECH.	HYDR.	DESCRIPTION	UNIT COST	AMOUNT	QTY.	INSP.	RECH.	HYDR.	DESCRIPTION	UNIT COST	AMOUNT		
	1160	1130	1164	2 1/2 LB. ABC EXTINGUISHER				1160	1153	1164	15 LB CO ₂				
	1160	1130	1164	2 1/2 LB. ABC EXTINGUISHER				1160	1153	1164	15 LB CO ₂				
	1160	1130	1164	2 1/2 LB. ABC EXTINGUISHER				1160	1154	1164	20 LB CO ₂				
5	1160	1132	1164	5 LB. ABC EXTINGUISHER				1160	1154	1164	20 LB CO ₂				
	1160	1132	1164	5 LB. ABC EXTINGUISHER				1162			5X YEAR MAINTENANCE				
	1160	1132	1164	5 LB. ABC EXTINGUISHER			11	1165			EMERGENCY / EXIT LIGHTING				
	1160	1134	1164	10 LB. ABC EXTINGUISHER				1161			FIRE HOSE INSPECTION				
	1160	1134	1164	10 LB. ABC EXTINGUISHER				1163			EXTINGUISHER SCAN™				
	1160	1134	1164	10 LB. ABC EXTINGUISHER											
	1160	1136	1164	20 LB. ABC EXTINGUISHER											
	1160	1136	1164	20 LB. ABC EXTINGUISHER											
	1160	1132	1164	5 1/2 LB. BC EXTINGUISHER				ITEM #	DESCRIPTION - STEAM CLEANING				AMOUNT		
	1160	1132	1164	5 1/2 LB. BC EXTINGUISHER				1180	VENTHOOD						
	1160	1132	1164	5 1/2 LB. BC EXTINGUISHER				1182	EQUIPMENT						
	1160	1134	1164	10 LB. BC EXTINGUISHER				1184	SIDEWALKS, CONCRETE CLEANING						
	1160	1134	1164	10 LB. BC EXTINGUISHER				1186	OTHER						
	1160	1136	1164	20 LB. BC EXTINGUISHER				QTY.	PART #	DESCRIPTION			UNIT COST	AMOUNT	
	1160	1134	1164	10 LB. PK EXTINGUISHER											
	1160	1134	1164	10 LB. PK EXTINGUISHER			1			Power Light			40	40	
	1160	1134	1164	20 LB. PK EXTINGUISHER											
	1160	1141	1164	5 LB. CG EXTINGUISHER			1			install			40	40	
	1160	1141	1164	5 LB. CG EXTINGUISHER											
	1160	1141	1164	13 LB. CG EXTINGUISHER											
	1160	1142	1164	K-GUARD EXTINGUISHER						Inspected 10/11/12					
	1160	1142	1164	K-GUARD EXTINGUISHER						and cover very tight					
	1160	1142	1164	K-GUARD EXTINGUISHER						all passers					
	1160	1145	1164	2 1/2 GAL. WATER EXTINGUISHER											
	1160	1145	1164	2 1/2 GAL. WATER EXTINGUISHER											
	1160	1145	1164	2 1/2 GAL. WATER EXTINGUISHER											
	1170	1148	1164	AUTOMATIC SUPPRESSANT SYSTEM											
	1170	1148	1164	AUTOMATIC SUPPRESSANT SYSTEM											
	1160	1150	1164	5 LB CO ₂											
	1160	1150	1164	5 LB CO ₂											
	1160	1152	1164	10 LB CO ₂											
	1160	1152	1164	10 LB CO ₂											
	1160	1152	1164	10 LB CO ₂											

All invoices are due on a net 30 basis. We agree that State Systems, Inc. may assess us, and agree to pay, reasonable late charges as permitted by law, collection agency fees and other cost associated with their collection efforts including but not limited to the payment of reasonable attorney fees and court costs. The laws of the State of Tennessee shall govern our relationship.

☐ CASH ☐ CHECK # ☐ Visa/MC

NO. _____

EX. DATE _____

RECEIVED BY: R. R. R. R.

Print Name

R. R. R. R.

Work Order - Invoice to follow

SUBTOTAL	<u>366</u>
TAX	
TOTAL	



STATE OF TENNESSEE
DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES
West Tennessee Regional Office of Licensure
170 NORTH MAIN STREET
12th FLOOR
MEMPHIS, TENNESSEE 38103

BILL HASLAM
GOVERNOR

E. DOUGLAS VARNEY
COMMISSIONER

COMPLIANCE EVENT STATUS REPORT

LICENSEE:

VCPHCS XXI, LLC
8300 Douglas Avenue Suite 750
Dallas, TX 75225

FACILITY:

Raleigh Professional Associates
2960-B Austin Peay Highway
Memphis, TN 38128

NOTICE TO LICENSEE: A review has been completed of your recently submitted plan of compliance. The approval status given your plan is indicated below. A copy of your plan is being returned to you and is enclosed. Read the approval status given below carefully. This approval status form and your plan of compliance should become part of your records.

✓ **COMPLIANCE EVENT & DATE:** SOTA Inspection 1/24/13

Site ID:3247 Event ID:354

Sandra Randle, West Tennessee Licensure Surveyor

✓ **POC Approved**

Your plan of compliance has been accepted. You are expected to meet the terms of your plan. Re-inspection may be conducted to verify compliance.

*With the exception of any deficiencies listed herein;
Detailed Program Requirements for DEEMED Chapter(s) considered compliant per accreditation by:
Joint Commission on Accreditation of Health Care Organizations (JCAHO)*



STATE OF TENNESSEE
DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES
West Tennessee Regional Office of Licensure
170 NORTH MAIN STREET
12th FLOOR
MEMPHIS, TENNESSEE 38103

WILL HASLAM
GOVERNOR

LE DOUGLAS VARNER
COMMISSIONER

LICENSURE NOTICE OF NON-COMPLIANCE

TO: VCPHCS XXI, LLC
8300 Douglas Avenue
Dallas, TX 75225

DATE OF NOTICE:
April 08, 2013
Page 1 of 2

FACILITY IN NON-COMPLIANCE:
Raleigh Professional Associates
2860-B Austin Peay Highway
Memphis, TN 38128

Site ID: 3247

EVENT & DATE RESULTING
IN THIS NOTICE:
SOTA Inspection
January 24, 2013

NOTICE TO LICENSEE: The facility above has been found to be non-compliant with the rule(s) listed herein. You must provide a plan for complying with each rule cited. Your plan of compliance may be specified in the space provided below or by separate document. If a separate document, your plan should reference each rule by item or rule number, must include the date by which you will be compliant, and an authorizing signature. Your plan must be received by the TDMHSAS regional office listed above by the date indicated herein.

YOUR PLAN OF COMPLIANCE MUST BE RETURNED NO LATER THAN APRIL 22, 2013

Item	Rule Number	Rule Description & Findings	event ID:354
0940-5-42: Minimum Program Requirements for Non-Residential Outpatient Treatment Program Facilities			
1	0940-5-42-.15	MEDICATION MANAGEMENT. 0940-5-42-.15(1)(a)10.(i) The treatment team shall meet with the service recipient within 14 days of receiving the results of the screen, to develop a benzodiazepine action plan in the service recipient's record. The plan shall be reviewed and signed by the medical director; Patient #1939 had tested positive for Benzodiazepines on 12/14/12, 12/20/12, and 12/24/12. The clinic had requested that documentation be provided by the patient of the medical procedure that required her to be on a benzodiazepine. No documentation of the medical procedure or coordination of care was located in the chart. No documentation of the treatment team meeting with the patient or a benzodiazepine action plan could be located. After the illicit drug screen on 12/24/12, adequate frequency of urine drug screens was obtained and all results were licit. Subsequent counseling notes did not mention the matter further. Licensee's Planned Date of Completion: 04/26/13 Licensee's Plan of Compliance (use a separate page if more space is needed):	4,270
2	0940-5-42-.17	DRUG SCREENS. 0940-5-42-.17(2) Drug screening procedures shall be individualized and shall include at least weekly random drug screens for newly admitted service recipients during the first 30 days of treatment and at least monthly thereafter. Only one urine drug screen result was located in patient record #1957 which was done on 1/7/13, the day of admission. Licensee's Planned Date of Completion: 01/25/13 Licensee's Plan of Compliance (use a separate page if more space is needed):	4,318

Item	Rule Number	Rule Description & Findings	
	0940-6-42	Minimum Program Requirements for Non-Residential Opioid Treatment Program Facilities	
3	0940-6-42-.17(16)	As appropriate and necessary, the SOTA shall develop guidelines for frequency of toxicological screening for alternative treatment modalities such as buprenorphine. A dosing exception request was approved by Dr. Jason Carter for patient #B2101877 on 12/18/12 to approve the patient to dose a total daily dose of 130 milligrams with the directions to have the patient dose daily and for the physician to obtain a COWS assessment for the patient. No COWS assessment could be located in the chart. Licensee's Planned Date of Completion: 04/26/13 Licensee's Plan of Compliance (use a separate page if more space is needed):	4,356

Please contact me if you have questions.

Sandra Hurdle
Sandy Randle
West Tennessee Surveyor

Ronald Robinson, LADAC
SIGNATURE OF LICENSEE OR AUTHORIZED AGENT

4/22/2013
DATE OF SIGNATURE

Sandra Hurdle
SIGNATURE OF TDMHSAS REVIEWER OF POC

4-22-13
DATE OF REVIEW

VCPHCS XXI, LLC
dba Raleigh Professional Associates
2960-B Austin Peay Hwy
Memphis, TN 38128

2013 MAY 15 AM 11: 47

SOTA Inspection January 24, 2013

PLAN OF COMPLIANCE

1. 0940-5-42-.15 MEDICATION MANAGEMENT

0940-5-42-.15(1)(a)10.(i) The treatment team shall meet with the service recipient within 14 days of receiving the results of the screen, to develop a benzodiazepine action plan in the service recipient's record. The plan shall be reviewed and signed by the Medical Director.

Patient #1939 had tested positive for Benzodiazepines on 12/14/12, 12/20/12, and 12/24/12. The clinic had requested that documentation be provided by the patient of the medical procedure that required her to be on a benzodiazepine. No documentation of the treatment team meeting with the patient or a Benzodiazepine action plan could be located. After the illicit drug screen on 12/24/12, adequate frequency of urine drug screens was obtained and all results were licit. Subsequent counseling notes did not mention the matter further.

Licensee's Planned Date of Completion: April 26, 2013

Licensee's Plan of Compliance:

The patient could not provide evidence of prescribed medication in the Benzodiazepine class. Patient's refusal of illicit drugs, progress with mental health issues and relapse prevention skills are documented in subsequent counseling sessions and meetings with medical director. The program director will provide and document a training with the staff regarding regulatory issues cited on 0940-5-42-.15(1)(a)10.(i). The training will be conducted on or before April 26, 2013. Staff members will sign a roster of attendance to include an acknowledgement of understanding of material presented. The training will include a review of the Benzodiazepine Education/Risk Associated with Methadone Treatment/Patient Acknowledgement of Understanding. The staff will understand the need for proper documentation of action plans, team meetings and/or consultations.

2. 0940-5-42-.17 DRUG SCREENS

0940-5-42-.17(2) Drug screening procedures shall be individualized and shall include at least weekly random drug screens for newly admitted service recipients during the first 30 days of treatment and at least monthly thereafter.

Only one urine drug screen result was located in patient record #1957 which was done on 1/7/13, they day of admission.

VCPHCS XXI, LLC
dba Raleigh Professional Associates
2960-B Austin Peay Hwy
Memphis, TN 38128

SOTA Inspection January 24, 2013

PLAN OF COMPLIANCE

Licensee's Planned Date of Completion: January 25, 2013

Licensee's Plan of Compliance:

The facility's SAMMS software includes a Program Default which schedules for "monthly" drug screens. The toxicology schedule frequency must be changed from the "monthly" default option to "weekly" in cases of newly admitted service recipients. Patient #1957 has been tested weekly since 1/25/13. Medical staff is responsible for selection of the appropriate toxicology schedule. The program director will conduct a follow-up training with the medical staff regarding program requirements cited in 0940-5-42-.17(2). The staff will be trained on the proper usage of the SAMMS software regarding toxicology schedule frequency in order to adhere to state specific regulations. The training will be conducted on or before April 26, 2013. Staff members will sign a roster of attendance to include an acknowledgement of understanding the program requirements pertaining to toxicology schedule frequency.

3. 0940-5-42-.17(16) as appropriate and necessary, the SOTA shall develop guidelines for frequency of toxicology screening for alternative treatment modalities such as Buprenorphine.

A dosing exception request was approved by Dr. Jason Carter for patient #B2101877 on 12/18/12 to approve the patient to dose a total daily dose of 130 milligrams with the directions to have the patient dose daily and for the physician to obtain a COWS assessment for the patient. No COWS assessment could be located in the chart.

Licensee's Planned Date of Completion: April 26, 2013

Licensee's Plan of Compliance:

The Clinical Opiate Withdrawal Scale (COWS) is completed in cases of dose increase. The Program Director will provide and document a follow-up training with the medical staff regarding deficiency related to 0940-5-42-.17(16). The training will be conducted on or before April 26, 2013. The staff will understand the importance of meeting SOTA guidelines and conditions regarding dosing exceptions. Staff members will sign a roster of attendance to include an acknowledgement of understanding the importance of meeting SOTA guidelines. The nursing supervisor is responsible for execution and audit of SOTA guidelines for dosing exceptions. A process has been created to ensure the nursing supervisor (or in her absence, the Program Director) reviews all dosing request responses received from state in order to guarantee compliance with any directives regarding the dose increase. The training for this policy will be conducted on or before April 26, 2013.

Signed: Ronald Robinson, LADC Date: 7/22/2013



STATE OF TENNESSEE
DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE SERVICES
West Tennessee Regional Office of Licensure
170 NORTH MAIN STREET
12th FLOOR
MEMPHIS, TENNESSEE 38103

BILL HASLAM
GOVERNOR

B. DOUGLAS VARNEY
COMMISSIONER

LICENSURE NOTICE OF NON-COMPLIANCE

TO: VCPHCS XXI, LLC
8300 Douglas Avenue
Dallas, TX 75225

DATE OF NOTICE:
April 08, 2013
Page 1 of 2

FACILITY IN NON-COMPLIANCE:
Raleigh Professional Associates
2960-B Austin Peay Highway
Memphis, TN 38128

Site ID: 3247

EVENT & DATE RESULTING
IN THIS NOTICE:
SOTA Inspection
January 24, 2013

NOTICE TO LICENSEE: The facility above has been found to be non-compliant with the rule(s) listed herein. You must provide a plan for complying with each rule cited. Your plan of compliance may be specified in the space provided below or by separate document. If a separate document, your plan should reference each rule by item or rule number, must include the date by which you will be compliant, and an authorizing signature. Your plan must be received by the TDMHSAS regional office listed above by the date indicated herein.

YOUR PLAN OF COMPLIANCE MUST BE RETURNED NO LATER THAN: April 22, 2013

Item Rule Number Rule Description & Findings event ID:354

0940-5-42. Minimum Program Requirements for Non-Residential Opioid Treatment Program Facilities

0940-5-42-.15 MEDICATION MANAGEMENT.

0940-5-42-.15(1)(a)10.(i) The treatment team shall meet with the service recipient within 14 days of receiving the results of the screen, to develop a benzodiazepine action plan in the service recipient's record. The plan shall be reviewed and signed by the medical director;

- 1 Patient #1939 had tested positive for Benzodiazepines on 12/14/12, 12/20/12, and 12/24/12. The clinic had requested that documentation be provided by the patient of the medical procedure that required her to be on a benzodiazepine. No documentation of the medical procedure or coordination of care was located in the chart. No documentation of the treatment team meeting with the patient or a benzodiazepine action plan could be located. After the illicit drug screen on 12/24/12, adequate frequency of urine drug screens was obtained and all results were licit. Subsequent counseling notes did not mention the matter further.

Licensee's Planned Date of Completion: 04 / 26 / 13
Licensee's Plan of Compliance (use a separate page if more space is needed):

4,270

0940-5-42-.17 DRUG SCREENS.

0940-5-42-.17(2) Drug screening procedures shall be individualized and shall include at least weekly random drug screens for newly admitted service recipients during the first 30 days of treatment and at least monthly thereafter.

- 2 Only one urine drug screen result was located in patient record #1957 which was done on 1/7/13, the day of admission.

Licensee's Planned Date of Completion: 01 / 25 / 13
Licensee's Plan of Compliance (use a separate page if more space is needed):

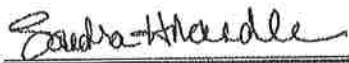
4,318

Item Rule Number Rule Description & Findings

event ID:354

0940-5-42: Minimum Program Requirements for Non-Residential Opioid Treatment Program Facilities		
3	0940-5-42-.17(16) As appropriate and necessary, the SOTA shall develop guidelines for frequency of toxicological screening for alternative treatment modalities such as buprenorphine.	4,356
	<p>A dosing exception request was approved by Dr. Jason Carter for patient #B2101877 on 12/18/12 to approve the patient to dose a total daily dose of 130 milligrams with the directions to have the patient dose daily and for the physician to obtain a COWS assessment for the patient. No COWS assessment could be located in the chart.</p> <p>Licensee's Planned Date of Completion: 04 / 26 / 13</p> <p>Licensee's Plan of Compliance (use a separate page if more space is needed):</p>	

Please contact me if you have questions.


Sandy Randle
West Tennessee Surveyor


SIGNATURE OF LICENSEE OR AUTHORIZED AGENT

4/22/2013
DATE OF SIGNATURE

SIGNATURE OF TDMHSAS REVIEWER OF POC

DATE OF REVIEW

SOTA Inspection January 24, 2013

PLAN OF COMPLIANCE

1. 0940-5-42-.15 MEDICATION MANAGEMENT

0940-5-42-.15(1)(a)10.(i) The treatment team shall meet with the service recipient within 14 days of receiving the results of the screen, to develop a benzodiazepine action plan in the service recipient's record. The plan shall be reviewed and signed by the Medical Director.

Patient #1939 had tested positive for Benzodiazepines on 12/14/12, 12/20/12, and 12/24/12. The clinic had requested that documentation be provided by the patient of the medical procedure that required her to be on a benzodiazepine. No documentation of the treatment team meeting with the patient or a Benzodiazepine action plan could be located. After the illicit drug screen on 12/24/12, adequate frequency of urine drug screens was obtained and all results were licit. Subsequent counseling notes did not mention the matter further.

Licensee's Planned Date of Completion: April 26, 2013

Licensee's Plan of Compliance:

The patient could not provide evidence of prescribed medication in the Benzodiazepine class. Patient's refusal of illicit drugs, progress with mental health issues and relapse prevention skills are documented in subsequent counseling sessions and meetings with medical director. The program director will provide and document a training with the staff regarding regulatory issues cited on 0940-5-42-.15(1)(a)10.(i). The training will be conducted on or before April 26, 2013. Staff members will sign a roster of attendance to include an acknowledgement of understanding of material presented. The training will include a review of the Benzodiazepine Education/Risk Associated with Methadone Treatment/Patient Acknowledgement of Understanding. The staff will understand the need for proper documentation of action plans, team meetings and/or consultations.

2. 0940-5-42-.17 DRUG SCREENS

0940-5-42-.17(2) Drug screening procedures shall be individualized and shall include at least weekly random drug screens for newly admitted service recipients during the first 30 days of treatment and at least monthly thereafter.

Only one urine drug screen result was located in patient record #1957 which was done on 1/7/13, they day of admission.

VCPHCS XXI, LLC
dba Raleigh Professional Associates
2960-B Austin Peay Hwy
Memphis, TN 38128

2013 MAY 15 AM 11: 47

SOTA Inspection January 24, 2013

PLAN OF COMPLIANCE

Licensee's Planned Date of Completion: January 25, 2013

Licensee's Plan of Compliance:

The facility's SAMMS software includes a Program Default which schedules for "monthly" drug screens. The toxicology schedule frequency must be changed from the "monthly" default option to "weekly" in cases of newly admitted service recipients. Patient #1957 has been tested weekly since 1/25/13. Medical staff is responsible for selection of the appropriate toxicology schedule. The program director will conduct a follow-up training with the medical staff regarding program requirements cited in 0940-5-42-.17(2). The staff will be trained on the proper usage of the SAMMS software regarding toxicology schedule frequency in order to adhere to state specific regulations. The training will be conducted on or before April 26, 2013. Staff members will sign a roster of attendance to include an acknowledgement of understanding the program requirements pertaining to toxicology schedule frequency.

3. 0940-5-42-.17(16) as appropriate and necessary, the SOTA shall develop guidelines for frequency of toxicology screening for alternative treatment modalities such as Buprenorphine.

A dosing exception request was approved by Dr. Jason Carter for patient #B2101877 on 12/18/12 to approve the patient to dose a total daily dose of 130 milligrams with the directions to have the patient dose daily and for the physician to obtain a COWS assessment for the patient. No COWS assessment could be located in the chart.

Licensee's Planned Date of Completion: April 26, 2013

Licensee's Plan of Compliance:

The Clinical Opiate Withdrawal Scale (COWS) is completed in cases of dose increase. The Program Director will provide and document a follow-up training with the medical staff regarding deficiency related to 0940-5-42-.17(16). The training will be conducted on or before April 26, 2013. The staff will understand the importance of meeting SOTA guidelines and conditions regarding dosing exceptions. Staff members will sign a roster of attendance to include an acknowledgement of understanding the importance of meeting SOTA guidelines. The nursing supervisor is responsible for execution and audit of SOTA guidelines for dosing exceptions. A process has been created to ensure the nursing supervisor (or in her absence, the Program Director) reviews all dosing request responses received from state in order to guarantee compliance with any directives regarding the dose increase. The training for this policy will be conducted on or before April 26, 2013.

Signed: Ronald Robinson, LADAC Date: 7/22/2013



VCPHCS XXI, LLC
2960-B Austin Peay Hwy
Memphis, TN 38128

Organization Identification Number: 522015

Program(s)

Behavioral Health Care Accreditation

Survey Date(s)

07/20/2012-07/21/2012

Executive Summary

As a result of the survey conducted on the above date(s), the following survey findings have been identified. Your official report will be posted to your organization's confidential extranet site. It will contain specific follow-up instructions regarding your survey findings.

If you have any questions, please do not hesitate to contact your Account Executive.

Thank you for collaborating with The Joint Commission to improve the safety and quality of care provided to patients.

The Joint Commission Summary of Findings

DIRECT Impact Standards:

Program:	Behavioral Health Care Accreditation Program	
Standards:	MM.05.01.07	EP3

INDIRECT Impact Standards:

Program:	Behavioral Health Care Accreditation Program	
Standards:	HR.01.07.01	EP1
	IM.01.01.01	EP2
	IM.04.01.01	EP1
	RC.01.01.01	EP7

The Joint Commission Findings

Chapter: Human Resources
Program: Behavioral Health Care Accreditation
Standard: HR.01.07.01
Standard Text: The organization evaluates staff performance.
Primary Priority Focus Area: Staffing
Element(s) of Performance:

1. The organization evaluates staff based on performance expectations that reflect their job responsibilities.



Scoring Category : C
Score : Partial Compliance

Observation(s):

EP 1

Observed in Competency Session at VCPHCS XXI, LLC (2960-B Austin Peay Hwy, Memphis, TN) site.
The nurse supervisor's performance evaluation was not conducted when it was due within the past four months.

Observed in Competency Session at VCPHCS XXI, LLC (2960-B Austin Peay Hwy, Memphis, TN) site.
One counselor's annual performance evaluation was not conducted when due within the past four months.

Chapter: Information Management
Program: Behavioral Health Care Accreditation
Standard: IM.01.01.01
Standard Text: The organization plans for managing information.
Primary Priority Focus Area: Information Management
Element(s) of Performance:

2. The organization identifies how data and information enter, flow within, and leave the organization.

Note: The flow of data and information within the organization includes how it moves into and out of storage.



Scoring Category : A
Score : Insufficient Compliance

Observation(s):

EP 2

Observed in Leadership Session at VCPHCS XXI, LLC (2960-B Austin Peay Hwy, Memphis, TN) site.
Specific reference is made to the ability of the organization to locate and access information. Specific reference is made to fire drills and emergency drills that were either misfiled or unable to be accessed during the survey. Specific reference is made to the process of locating medical records that were removed from the medical room. Specific reference is made to accuracy of data that was entered in the monthly quality improvement minutes.

Chapter: Information Management
Program: Behavioral Health Care Accreditation

The Joint Commission Findings

Standard: IM.04.01.01

Standard Text: The organization maintains accurate health information.

Primary Priority Focus Area: Information Management

Element(s) of Performance:

1. The organization has processes to check the accuracy of health information.

Note: The organization has the flexibility to determine what health information needs to be checked for accuracy and the frequency with which it will be checked.



Scoring Category :A

Score : Insufficient Compliance

Observation(s):

EP 1

Observed in Individual Tracer at VCPHCS XXI, LLC (2960-B Austin Peay Hwy, Memphis, TN) site. Specific reference is made to the process of identifying patients who "no-show" for treatment. Not all of the of patients whose name appeared on the daily "no-show" report were actually a "no-show." No other status was identified in the daily reports.

Chapter: Medication Management

Program: Behavioral Health Care Accreditation

Standard: MM.05.01.07

Standard Text: The organization safely prepares medications for administration.
Note: This standard is applicable only to organizations that prepare medications for administration.

Primary Priority Focus Area: Medication Management

Element(s) of Performance:

3. For organizations that prepare medications for administration: During preparation, staff visually inspect the medication for particulates, discoloration, or other loss of integrity. (See also MM.03.01.05, EP 2; MM.06.01.01, EP 4)



Scoring Category :A

Score : Insufficient Compliance

Observation(s):

EP 3

Observed in Medication Management Tracer at VCPHCS XXI, LLC (2960-B Austin Peay Hwy, Memphis, TN) site. During the observation of the medication preparation process in the medication dosing room broken diskettes were in newly opened bottles of methadone. The practice of reassembling broken diskettes to visually determine if the reassembled pieces constituted a full, exact dose was noted during the observation. The organizations policy for waste does not address a process for the determination of how damaged a diskette has to be to determine waste.

Chapter: Record of Care, Treatment, and Services

Program: Behavioral Health Care Accreditation

Standard: RC.01.01.01

Standard Text: The organization maintains complete and accurate clinical/case records.

The Joint Commission Findings

Primary Priority Focus Area: Assessment and Care/Services

Element(s) of Performance:

7. The clinical/case record contains information that documents the course and result of the care, treatment, or services provided to the individual served.



Scoring Category :C

Score : Insufficient Compliance

Observation(s):

EP 7

Observed in Individual Tracer at VCPHCS XXI, LLC (2960-B Austin Peay Hwy, Memphis, TN) site. The Infectious Disease Screens in three clinical records reviewed of patients who were admitted 7/10/2012, 7/18/2012 and 7/19/2012 all contained incorrect mathematical scores of the outcome of the screens. Interviews with staff indicated that this screen was implemented about two weeks ago in this organization. Leadership staff reported that SAMMS Special Project Manager at Corporate was notified of the problem was corrected during the survey.

Observed in Individual Tracer at VCPHCS XXI, LLC (2960-B Austin Peay Hwy, Memphis, TN) site. Five criteria were scored "yes" on the Cardiac Risk Factor screen in one clinical record. The instructions printed on the form stated that one response of one "yes" should be referred for further review. The screen was not completed to include a summary of the significance of the identification of five risk factors.

Observed in Individual Tracer at VCPHCS XXI, LLC (2960-B Austin Peay Hwy, Memphis, TN) site. The documentation in the clinical record noted that the patient lost 25 pounds in one month. The clinical record did not document the reason for the 25 pound weight loss. Interviews with the clinician indicated that the addiction contributed to the weight loss but this was not documented in the record.

Observed in Individual Tracer at VCPHCS XXI, LLC (2960-B Austin Peay Hwy, Memphis, TN) site. The pain assessment that is included in the health questionnaire culminated in a question about whether further action were needed to address any pain related problems and identify if a referral was needed. These questions were left blank in three clinical records reviewed during tracer activity.

Observed in Individual Tracer at VCPHCS XXI, LLC (2960-B Austin Peay Hwy, Memphis, TN) site. The clinical records of two patients who were admitted 7/18/2012 and 7/19/2012 did not have initial treatment plans in their clinical records. The policy in this organization required the development of an initial plan on the day of admission.

The Joint Commission

Miscellaneous Information

METHADONE MAINTENANCE TREATMENT

Methadone maintenance treatment (MMT) can help injection drug users (IDUs) reduce or stop injecting and return to productive lives. However, its use is still sometimes publicly controversial and many factors limit the effectiveness of MMT services. New federal regulations, which have overhauled the MMT system, promise a more flexible approach and improved delivery of these needed, life-saving services.

Opiate Addiction is a Major Individual and Public Health Problem

It is estimated that at least 980,000 people in the United States are currently addicted to heroin and other opiates (such as oxycontin, dilaudid, and hydrocone). They risk premature death and often suffer from HIV, hepatitis B or C, sexually transmitted disease (STDs), liver disease from alcohol abuse, and other physical and mental health problems. It is estimated that 5,000-10,000 IDUs die of drug overdoses every year. Many are involved with the criminal justice system.

A 1997 National Institutes of Health (NIH) report estimated the financial costs of untreated opiate addiction at \$20 billion per year. These costs, combined with the social costs of destroyed families, destabilized communities, increased crime, increased disease transmission, and increased health care costs, mean that opiate addiction is a major problem for affected individuals and society.

Methadone Maintenance Treatment is the Most Effective Treatment for Opiate Addiction

Methadone is a synthetic agent that works by "occupying" the brain recep-

tor sites affected by heroin and other opiates. Methadone:

- blocks the euphoric and sedating effects of opiates;
- relieves the craving for opiates that is a major factor in relapse;
- relieves symptoms associated with withdrawal from opiates;
- does not cause euphoria or intoxication itself (with stable dosing), thus allowing a person to work and participate normally in society;
- is excreted slowly so it can be taken only once a day.

Methadone maintenance treatment, a program in which addicted individuals receive daily doses of methadone, was initially developed during the 1960s as part of a broad, multicomponent treatment program that also emphasized resocialization and vocational training.

These benefits include:

- reduced or stopped use of injection drugs;
- reduced risk of overdose and of acquiring or transmitting diseases

such as HIV, hepatitis B or C, bacterial infections, endocarditis, soft tissue infections, thrombophlebitis, tuberculosis, and STDs;

- reduced mortality — the median death rate of opiate-dependent individuals in MMT is 30 percent of the rate of those not in MMT;
- possible reduction in sexual risk behaviors, although evidence on this point is conflicting;
- reduced criminal activity;
- improved family stability and employment potential; and
- improved pregnancy outcomes.

Using commonly accepted criteria for medical interventions, several studies have also shown that MMT is extremely cost-effective.

Key Issues in Effective Methadone Maintenance Treatment

Dose

Most patients require a dose of 60-120 mg/day to achieve optimum therapeutic effects of methadone. Compared to those on lower doses, patients on higher doses are shown to stay in treatment

longer, use less heroin and other drugs, and have lower incidence of HIV infection. Some patients need even higher doses for fully effective treatment.

Studies of methadone effectiveness have shown a dose-response relationship, with higher doses more effective in reducing heroin use, helping patients stay in treatment, and reducing criminal activity. Despite compelling evidence that doses need to be determined on an individual basis, that higher doses are more effective, and that doses of 60-120 mg/day are required for most patients, some clinics administer fixed doses to all patients and provide less than optimal doses.

Length of treatment

Studies have shown that good outcomes from substance abuse treatment are unequivocally contingent on adequate length of treatment. A research-based guide on the principles of substance abuse treatment, released in 1999 by the National Institute on Drug Abuse (NIDA), notes that "For methadone maintenance, 12 months of treatment is the minimum, and some opiate-addicted individuals will continue to benefit from methadone maintenance treatment over a period of years." Despite this fact, the majority of MMT patients leave before 1 year, either because they drop out, the clinic encourages them to leave, or they are discharged for not complying with program regulations. Most of those who discontinue MMT later relapse to heroin use. This illustrates the difficulty of the addiction recovery process and the fact that individuals may need multiple episodes of treatment over time.

The role of other substances in subgroup of IDUs with multiple drug problems

IDUs come to MMT with a broad range of issues and problems in addition to their drug addiction. For example, about 40 percent of patients entering methadone treatment use cocaine or crack as well as heroin; perhaps a

quarter also abuse alcohol. Studies have shown that 67-84% of MMT patients have been infected with hepatitis C. About 10 million people in the U.S. have co-occurring substance abuse and mental disorders; more than 40 percent of those with addictive disorders also have mental disorders. IDUs frequently have unstable living situations and may need multiple social services. Treatment programs tailored to the specific needs of patients can respond more effectively to these varied types of patients.

Continued use of heroin, cocaine, alcohol, and other drugs

It is relatively common for MMT patients to continue using heroin, other drugs such as cocaine or marijuana, and alcohol after admission to treatment. This reflects the long history of use, the complexity of patients' situations and reasons for using drugs, and the biological basis of addiction. Many patients in treatment do not have complete control over their addictions at all times. Realistic expectations of treatment reflect the understanding that recovery is a day-to-day process with occasional relapses.

The Regulation and Administration of MMT has Undergone a Radical Change

The context for change

Despite 30 years of experience and widespread acceptance by addiction specialists and health agencies, MMT has sometimes been publicly controversial in the U.S. and other countries. Critics have cited the belief that methadone treatment merely substitutes one addiction for another and that achieving a drug-free state is the only valid treatment goal. Misunderstandings about the nature of drug addiction (not seeing it as a biomedical condition) are part of the reason why MMT has sometimes been met with limited acceptance by communities, health care providers, and the public. Critics opposed to expanding

MMT programs also express concerns that they may be a magnet for crime and drug dealing and that patients will divert methadone (sell it to supplement their income or buy or sell it to help friends in withdrawal). As a result, the use of methadone to treat addiction has been heavily regulated and strictly controlled in this country. For example, until now, MMT has been delivered only through specially licensed clinics, called Opioid Treatment Programs.

These regulations and controls have meant that MMT programs have had limited flexibility and ability to respond to the needs of patients, including in such key areas as dose and length of treatment. The regulations also have limited the number of physicians who are available to treat heroin addiction and the settings and locations in which treatment can occur.

The change

In May 2001, the U.S. Department of Health and Human Services (DHHS) announced a new system for regulating and monitoring MMT. Under this new system, oversight responsibility for MMT in the United States shifted from the Food and Drug Administration (FDA) to the Substance Abuse and Mental Health Services Administration's Center for Substance Abuse Treatment (CSAT).

This new system represents a fundamental change in the approach to substance abuse treatment and in the federal government's role in ensuring effective and accountable MMT programs. It relies on accreditation of MMT programs by independent organizations and states, in accordance with treatment standards that have been developed by CSAT over the last 10 years.

These standards reflect current knowledge about the nature of opiate addiction as a chronic brain disease and the principles underlying effective long-term, comprehensive treatment. The standards are based on "best practice guidelines" and

emphasize improving quality of care in areas such as individualized treatment planning, increased medical supervision, and assessment of patients. The new system continues to accommodate community concerns, however, by retaining regulations that are designed to reduce diversion of methadone.

The designers of this new approach believe that shifting to an accreditation approach will significantly improve care for IDUs by:

- improving access to and quality of MMT programs;
- allowing for increased professional discretion and medical judgment in designing treatment plans based on individual needs, especially in managing methadone doses and length of treatment, and whether withdrawal from medication is possible or desirable;
- helping to move MMT closer to the mainstream of health care practice (this increase in the range of settings may increase MMT in physicians' offices and increase interest by hospitals and HMOs in providing these services);
- improving oversight and accountability and helping to promote state-of-the-art treatment services; and
- enhancing patient rights and patient responsibilities.

To Learn More About This Topic

Read the overview fact sheet in this series on drug users and substance abuse treatment — "Substance Abuse Treatment for Injection Drug Users: A Strategy with Many Benefits." It provides basic information, links to the other fact sheets in this series, and links to other useful information (both print and web).

Visit websites of the Centers for Disease Control and Prevention (www.cdc.gov/idu) and the Academy for Educational Development (www.health-strategies.org/pubs/publications.htm) for these and related materials:

- *Preventing Blood-borne Infections Among Injection Drug Users: A Comprehensive Approach*, which provides extensive background information on HIV and viral hepatitis infection in IDUs and the legal, social, and policy environment, and describes strategies and principles of a comprehensive approach to addressing these issues.
- *Interventions to Increase IDUs' Access to Sterile Syringes*, a series of six fact sheets.
- *Drug Use, HIV, and the Criminal Justice System*, a series of eight fact sheets.

Visit these websites:

- The Substance Abuse and Mental Health Services Administration, to learn more about the new federal regulations governing methadone treatment programs: www.samhsa.gov/news/news.html (click on Archives of News Releases and scroll down to the two May 18, 2001 releases)
- The Addiction Treatment Forum, which publishes newsletters and other information on substance abuse and addiction research, therapies, news: www.atforum.com/
- The American Methadone Treatment Association: www.americanmethadone.org/

See the October/November 2000 and January 2001 issues of the *Mt. Sinai Journal of Medicine*. The 14 papers in these two theme issues focus on a wide range of issues related to methadone maintenance treatment and its impact on IDUs, including those infected with HIV or hepatitis C. *Mt. Sinai Journal of Medicine* 2000;67:58-6) www.mssm.edu/msjournal/67/6756.shtml and 2001;68:1) www.mssm.edu/msjournal/68/681.shtml

Check out these sources of information:

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Bellin E, Wesson J, Tomasino V, et al. High dose methadone reduced criminal recidivism in opiate addicts. *Addiction Research* 1999;7(1):19-29.

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This has not happened probably will not in 20 years in physician offices

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Department of Health and Human Services

5081 / 5082, CDC 2001/00

Through the Academy for Educational Development (AED), IDU-related technical assistance is available to health departments funded by CDC to conduct HIV prevention and to HIV prevention community planning groups (CPGs). For more information, contact your CDC HIV prevention project officer at 404-639-5230 or AED at (202) 884-8952.

U.S. Department of Commerce

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State & County QuickFacts

Fayette County, Tennessee

People QuickFacts	Fayette County	Tennessee
Population, 2012 estimate	38,659	6,456,243
Population, 2010 (April 1) estimates base	38,413	6,346,113
Population, percent change, April 1, 2010 to July 1, 2012	0.6%	1.7%
Population, 2010	38,413	6,346,105
Persons under 5 years, percent, 2011	6.3%	6.3%
Persons under 18 years, percent, 2011	22.6%	23.3%
Persons 65 years and over, percent, 2011	15.5%	13.7%
Female persons, percent, 2011	50.3%	51.3%
White persons, percent, 2011 (a)	70.3%	79.5%
Black persons, percent, 2011 (a)	28.0%	16.9%
American Indian and Alaska Native persons, percent, 2011 (a)	0.3%	0.4%
Asian persons, percent, 2011 (a)	0.6%	1.5%
Native Hawaiian and Other Pacific Islander persons, percent, 2011 (a)	Z	0.1%
Persons reporting two or more races, percent, 2011	0.8%	1.6%
Persons of Hispanic or Latino Origin, percent, 2011 (b)	2.4%	4.7%
White persons not Hispanic, percent, 2011	68.2%	75.4%
Living in same house 1 year & over, percent, 2007-2011	92.2%	84.1%
Foreign born persons, percent, 2007-2011	1.9%	4.5%
Language other than English spoken at home, percent age 5+, 2007-2011	3.8%	6.4%
High school graduate or higher, percent of persons age 25+, 2007-2011	84.1%	83.2%
Bachelor's degree or higher, percent of persons age 25+, 2007-2011	20.4%	23.0%
Veterans, 2007-2011	2,820	501,665
Mean travel time to work (minutes), workers age 16+, 2007-2011	32.5	24.0
Housing units, 2011	15,874	2,829,025
Homeownership rate, 2007-2011	82.6%	69.0%
Housing units in multi-unit structures, percent, 2007-2011	4.9%	18.1%
Median value of owner-occupied housing units, 2007-2011	\$176,600	\$137,200
Households, 2007-2011	13,825	2,457,997
Persons per household, 2007-2011	2.72	2.50
Per capita money income in the past 12 months (2011 dollars), 2007-2011	\$28,606	\$24,197
Median household income, 2007-2011	\$57,437	\$43,989
Persons below poverty level, percent, 2007-2011	11.7%	16.9%
Business QuickFacts	Fayette County	Tennessee
Private nonfarm establishments, 2010	550	131,582 ¹
Private nonfarm employment, 2010	6,094	2,264,032 ¹
Private nonfarm employment, percent change, 2000-2010	44.7	-5.3 ¹
Nonemployer establishments, 2010	3,055	465,545
Total number of firms, 2007	3,779	545,348
Black-owned firms, percent, 2007	15.3%	8.4%
American Indian- and Alaska Native-owned firms, percent, 2007	F	0.5%
Asian-owned firms, percent, 2007	S	2.0%

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State & County QuickFacts

Tipton County, Tennessee

People QuickFacts	Tipton County	Tennessee
Population, 2012 estimate	61,705	6,456,243
Population, 2010 (April 1) estimates base	61,081	6,346,113
Population, percent change, April 1, 2010 to July 1, 2012	1.0%	1.7%
Population, 2010	61,081	6,346,105
Persons under 5 years, percent, 2011	6.4%	6.3%
Persons under 18 years, percent, 2011	26.9%	23.3%
Persons 65 years and over, percent, 2011	11.4%	13.7%
Female persons, percent, 2011	51.0%	51.3%
White persons, percent, 2011 (a)	78.3%	79.5%
Black persons, percent, 2011 (a)	18.9%	16.9%
American Indian and Alaska Native persons, percent, 2011 (a)	0.5%	0.4%
Asian persons, percent, 2011 (a)	0.6%	1.5%
Native Hawaiian and Other Pacific Islander persons, percent, 2011 (a)	0.1%	0.1%
Persons reporting two or more races, percent, 2011	1.7%	1.6%
Persons of Hispanic or Latino Origin, percent, 2011 (b)	2.3%	4.7%
White persons not Hispanic, percent, 2011	76.4%	75.4%
Living in same house 1 year & over, percent, 2007-2011	85.4%	84.1%
Foreign born persons, percent, 2007-2011	1.6%	4.5%
Language other than English spoken at home, percent age 5+, 2007-2011	2.4%	6.4%
High school graduate or higher, percent of persons age 25+, 2007-2011	84.1%	83.2%
Bachelor's degree or higher, percent of persons age 25+, 2007-2011	13.5%	23.0%
Veterans, 2007-2011	5,388	501,665
Mean travel time to work (minutes), workers age 16+, 2007-2011	31.5	24.0
Housing units, 2011	23,436	2,829,025
Homeownership rate, 2007-2011	73.5%	69.0%
Housing units in multi-unit structures, percent, 2007-2011	7.4%	18.1%
Median value of owner-occupied housing units, 2007-2011	\$137,400	\$137,200
Households, 2007-2011	21,578	2,457,997
Persons per household, 2007-2011	2.76	2.50
Per capita money income in the past 12 months (2011 dollars), 2007-2011	\$22,062	\$24,197
Median household income, 2007-2011	\$50,869	\$43,989
Persons below poverty level, percent, 2007-2011	15.3%	16.9%
Business QuickFacts	Tipton County	Tennessee
Private nonfarm establishments, 2010	750	131,582 ¹
Private nonfarm employment, 2010	8,189	2,264,032 ¹
Private nonfarm employment, percent change, 2000-2010	-15.7	-5.3 ¹
Nonemployer establishments, 2010	3,822	465,545
Total number of firms, 2007	3,817	545,348
Black-owned firms, percent, 2007	9.4%	8.4%
American Indian- and Alaska Native-owned firms, percent, 2007	F	0.5%
Asian-owned firms, percent, 2007	S	2.0%

Midmonth Report for December 2012

- * This report is a count of people taken in the middle of the month for which the report was run.
- * This report is run three months after the month of the report in an effort to reduce fluctuations in the results.

MCO	REGION	Total
Awaiting MCO assignment		1,488
AMERIGROUP COMMUNITY CARE	Middle Tennessee	198,396
BLUECARE	East Tennessee	215,718
BLUECARE	West Tennessee	178,369
TENNCARE SELECT	All	45,118
UnitedHealthcare Community Plan	East Tennessee	193,993
	Middle Tennessee	198,478
	West Tennessee	173,920
Grand Total		1,205,480

COUNTY	0-18	19-20	21-64	65->	Female Total	Male 0-18	Male 19-20	Male 21-64	Male 65->	Male Total	Grand Total
ANDERSON	3,745	299	3,290	619	7,954	3,903	202	1,602	281	5,988	13,942
BEDFORD	3,306	224	2,189	256	5,976	3,396	131	967	106	4,600	10,576
BENTON	895	78	764	155	1,892	975	43	447	66	1,531	3,424
BLEDSE	740	62	625	123	1,549	838	53	361	51	1,304	2,853
BLOUNT	5,189	426	4,452	700	10,767	5,216	289	2,018	297	7,820	18,587
BRADLEY	4,916	423	4,383	642	10,365	5,318	276	1,967	281	7,843	18,208
CAMPBELL	2,694	247	3,063	665	6,669	2,818	207	1,742	393	5,160	11,829
CANNON	679	62	613	131	1,484	781	44	304	59	1,188	2,672
CARROLL	1,676	140	1,602	335	3,753	1,884	101	835	150	2,969	6,723
CARTER	2,919	240	2,575	716	6,450	3,141	153	1,339	270	4,903	11,353
CHEATHAM	1,751	130	1,406	178	3,465	1,862	121	627	84	2,693	6,159
CHESTER	946	87	805	153	1,991	938	55	325	69	1,387	3,379
CLAIBORNE	1,840	167	1,853	556	4,416	1,917	101	1,183	253	3,455	7,871
CLAY	520	33	430	105	1,088	491	28	268	77	864	1,951
COCKE	2,547	217	2,356	460	5,580	2,614	164	1,339	234	4,350	9,930
COFFEE	3,119	241	2,650	391	6,401	3,202	161	1,145	165	4,673	11,074
CROCKETT	984	70	726	216	1,997	961	57	350	79	1,447	3,444
CUMBERLAND	2,847	236	2,309	508	5,900	2,982	177	1,148	225	4,531	10,431
DAVIDSON	36,428	2,549	27,360	3,259	69,596	37,526	1,763	10,212	1,483	50,983	120,580
DECATUR	580	54	542	203	1,379	661	44	305	74	1,084	2,463
DEKALB	1,161	78	980	196	2,416	1,258	67	528	90	1,942	4,358
DICKSON	2,545	155	2,157	325	5,182	2,611	134	901	102	3,747	8,929
DYER	2,537	228	2,278	431	5,474	2,654	151	967	146	3,918	9,392
FAYETTE	1,564	133	1,186	285	3,178	1,729	87	532	118	2,466	5,645
FENTRESS	1,267	108	1,255	382	3,012	1,368	83	795	182	2,428	5,440
FRANKLIN	1,732	150	1,510	271	3,662	1,810	92	703	111	2,716	6,379
GIBSON	2,928	249	2,598	648	6,424	3,051	210	1,125	264	4,651	11,075
GILES	1,439	133	1,245	270	3,087	1,442	94	634	107	2,277	5,364
GRAINGER	1,325	105	1,109	295	2,834	1,319	66	674	153	2,211	5,045
GREENE	3,246	253	3,085	730	7,313	3,361	174	1,662	366	5,564	12,877
GRUNDY	1,072	99	1,080	225	2,475	1,153	83	598	142	1,976	4,451
HAMBLIN	3,937	255	2,748	574	7,514	4,003	148	1,230	241	5,623	13,137
HAMILTON	15,494	1,190	13,724	2,269	32,678	16,234	800	5,335	843	23,212	55,890
HANCOCK	491	50	526	170	1,238	562	40	311	79	993	2,231
HARDEMAN	1,656	134	1,521	350	3,662	1,618	96	720	160	2,595	6,257
HARDIN	1,609	144	1,438	393	3,585	1,642	103	775	197	2,717	6,302
HAWKINS	3,077	291	2,851	560	6,779	3,254	165	1,445	259	5,124	11,903

18 = 3,713

Female
0-18

HAYWOOD	1,412	121	1,328	300	3,161	1,496	92	417	116	2,122	5,283
HENDERSON	1,650	138	1,457	268	3,514	1,660	91	641	96	2,488	6,002
HENRY	1,920	166	1,612	283	3,981	1,989	126	745	121	2,981	6,968
HICKMAN	1,439	134	1,273	178	3,024	1,540	109	686	83	2,418	5,442
HOUSTON	429	43	389	118	979	480	27	206	75	789	1,768
HUMPHREYS	958	87	834	153	2,033	962	43	393	65	1,464	3,497
JACKSON	638	41	612	152	1,443	667	28	357	94	1,146	2,588
JEFFERSON	2,779	224	2,193	515	5,711	2,873	130	1,086	194	4,288	9,994
JOHNSON	960	84	883	289	2,215	953	67	566	159	1,745	3,960
KNOX	17,346	1,301	15,655	2,407	36,709	18,103	859	6,556	886	26,504	63,213
LAKE	431	42	518	152	1,143	513	30	214	71	828	1,971
LAUDERDALE	1,937	157	1,804	318	4,217	2,035	126	713	124	2,999	7,216
LAWRENCE	2,322	199	1,962	412	4,895	2,487	149	928	173	3,737	8,632
LEWIS	719	59	600	129	1,508	767	44	278	60	1,149	2,657
LINCOLN	1,784	145	1,439	323	3,691	1,859	108	685	122	2,774	6,465
LOUDON	2,115	132	1,502	310	4,059	2,088	97	684	119	2,988	7,047
MACON	1,595	150	1,285	259	3,289	1,710	88	672	106	2,576	5,865
MADISON	5,984	490	5,403	831	12,707	5,951	326	1,795	331	8,403	21,111
MARION	1,660	168	1,581	265	3,673	1,655	100	668	148	2,571	6,243
MARSHALL	1,620	128	1,307	175	3,230	1,680	74	542	70	2,366	5,596
MAURY	4,197	308	3,457	551	8,514	4,491	246	1,307	187	6,231	14,745
MCMINN	2,742	225	2,459	521	5,945	2,959	159	1,129	221	4,467	10,413
MCMURRY	1,695	176	1,648	406	3,925	1,781	133	904	207	3,026	6,950
MEIGS	739	58	621	89	1,507	695	55	306	49	1,106	2,612
MONROE	2,513	229	2,236	508	5,487	2,784	142	1,178	257	4,360	9,847
MONTGOMERY	6,897	566	5,694	662	13,819	7,127	296	1,843	218	9,485	23,303
MOORE	222	25	165	53	465	288	9	100	16	393	858
MORGAN	1,137	80	909	187	2,314	1,183	68	533	103	1,887	4,201
OBION	1,762	140	1,584	313	3,799	1,867	86	602	103	2,658	6,456
OVERTON	1,127	76	948	277	2,428	1,228	57	543	145	1,973	4,402
PERRY	518	41	397	87	1,042	534	29	213	44	821	1,863
PICKETT	224	21	176	94	514	267	7	127	49	450	984
POLK	900	52	843	158	1,952	956	56	455	80	1,547	3,499
PUTNAM	3,713	364	3,262	786	8,125	3,945	233	1,724	305	6,208	14,333
RHEA	2,258	172	1,824	337	4,590	2,271	113	886	136	3,406	7,996
ROANE	2,339	212	2,336	570	5,457	2,682	128	1,303	229	4,341	9,798
ROBERTSON	3,475	210	2,319	377	6,381	3,604	119	937	157	4,817	11,197
RUTHERFORD	11,202	948	7,979	970	21,100	11,630	536	2,855	363	15,385	36,484
SCOTT	1,804	149	1,694	407	4,053	1,844	119	966	194	3,124	7,178
SECUATCHIE	886	67	766	143	1,872	940	49	420	60	1,470	3,342
SEVIER	4,896	334	3,111	453	8,595	5,025	189	1,233	169	6,616	15,231
SHELBY	68,882	6,155	55,546	6,608	137,201	70,508	4,342	16,019	2,416	93,285	230,486
SMITH	994	82	863	180	2,119	1,018	62	402	62	1,545	3,664
STEWART	658	58	627	122	1,464	699	28	288	59	1,074	2,539
SULLIVAN	7,025	615	6,740	1,341	15,721	7,324	419	3,377	610	11,730	27,451
SUMNER	6,684	560	5,352	825	13,421	7,082	378	2,059	303	9,811	23,232
TIPTON	3,459	337	2,607	366	6,769	3,602	211	944	150	4,907	11,675
TROUSDALE	473	33	365	83	954	460	30	188	36	714	1,668
UNICOI	885	64	817	272	2,038	989	51	380	131	1,551	3,590
UNION	1,289	110	925	163	2,497	1,232	61	577	88	1,968	4,466
VAN BUREN	306	25	255	64	651	325	15	149	46	535	1,185
WARREN	2,506	179	2,127	449	5,262	2,645	127	1,058	179	4,010	9,272
WASHINGTON	4,816	428	4,819	992	11,054	5,078	285	2,200	385	7,948	19,002
WAYNE	770	62	635	176	1,644	824	35	346	79	1,284	2,928
WEAKEY	1,674	211	1,502	311	3,698	1,718	122	715	118	2,673	6,371
WHITE	1,507	126	1,288	343	3,264	1,638	99	740	127	2,605	5,868
WILLIAMSON	2,572	169	1,722	346	4,810	2,751	130	722	115	3,718	8,527
WILSON	4,112	303	3,303	497	8,215	4,310	190	1,368	187	6,055	14,270
Grand Total	338,779	27,727	282,848	47,679	697,033	352,317	18,890	117,286	19,954	508,447	1,205,480

>18 =
91,086

>18 =
41,614

AFFIDAVIT

2013 MAY 15 AM 11:48

STATE OF TENNESSEE

COUNTY OF DAVIDSON

JOHN WELLBORN, being first duly sworn, says that he/she is the lawful agent of the applicant named in this application, that this project will be completed in accordance with the application to the best of the agent's knowledge, that the agent has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete to the best of the agent's knowledge.

John Wellborn
SIGNATURE/TITLE

Sworn to and subscribed before me this 15 day of MAY, 2013 a Notary
(Month) (Year)

Public in and for the County/State of DAVIDSON CO, TENNESSEE



Tm
NOTARY PUBLIC

My commission expires 1-11, 2017
(Month/Day) (Year)



STATE OF TENNESSEE
HEALTH SERVICES AND DEVELOPMENT AGENCY

500 Deaderick Street
Suite 850
Nashville, Tennessee 37243
741-2364

May 30, 2013

John Wellborn
Development Support Group
4219 Hillsboro Road, Suite 1
Nashville, Tennessee 37215

RE: Certificate of Need Application CN1305-019
Raleigh Professional Associates

Dear Mr. Wellborn:

This will acknowledge our May 28, 2013 receipt of your supplemental responses for a Certificate of Need to relocate Raleigh Professional Associates from its current site at 2960-B Old Austin Peay Highway, Memphis (Shelby County), TN to 2165 Spicer Cove, Suite 9, Memphis (Shelby County), TN 38134.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 4:00 p.m., Thursday, May 30, 2013. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

1. Applicant Profile, Item 1

The applicant has listed the proposed project address as 2165 Spicer Cover, Memphis, TN. The letter of intent list the address as 2165 Spicer Cove. Please attach a replacement page with the correct street name.

2. Section A, Applicant Profile, Item 6

The provided lease agreement is noted. Please clarify the reason Exhibit "A" of the lease agreement listed the facility as Perimeter Point Business Center "Building E" while the facility address provided by the applicant in the applicant profile section is listed as "Building B".

3. Section C, Economic Feasibility, Item 4. (Projected and Historical Data Chart)

The applicant states the Medical Director provides twelve (12)) hours coverage four (4) days per week. In another application filed simultaneously by the applicant's corporation BHG, ADC Recovery and Counseling Center, CN1305-018, the applicant states the Medical Director provides approximately nine (9) hours of coverage across three (3) scheduled days per week. The patient census appears to be similar. Please clarify why there is a discrepancy in physician coverage and if patients with higher acuities are sent Raleigh Associates where there is additional MD coverage.

Does the back-up Physician provide services to multiple sites?

The Projected Data Chart list the Year 2014 twice. Please provide a corrected Projected Data Chart.

Please clarify the reason salaries and wages in Year 2014 is \$497,125 for 260 patients and in ADC Recovery and Counseling Center, CN1305-018 is \$356,582 for 250 patients, a difference of \$140,543.

4. Notification Requirements

Please note that Tennessee Code Annotated 68-11-1607(c)(3) states that "...Within ten (10) days of filing an application for a nonresidential methadone treatment facility with the agency, the applicant shall send a notice to the county executive of the county in which the facility is proposed to be located, the member of the House of Representatives and the Senator of the General Assembly representing the district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential methadone treatment facility has been filed with the agency by the applicant."

Please provide documentation that notification was sent to the member of the House of Representatives in which the facility is proposed to be located.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is July 19, 2013. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by

the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please contact this office.

Sincerely,

A handwritten signature in dark ink, appearing to read "Phillip Earhart", written in a cursive style.

Phillip Earhart
Health Services and Development Examiner

PME
Enclosure

Copy

Supplemental #1

Raleigh Professional Associates

CN1305-019

2013 MAY 28 PM 3 51

May 28, 2013

Phillip M. Earhart, Health Planner III
Tennessee Health Services and Development Agency
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37203

RE: Raleigh Professional Associates--Relocation Application
Memphis, Shelby County

Dear Mr. Earhart:

This letter responds to those items in your first request for supplemental information on the subject application, which were not answered in my May 24 submittal. The responses are numbered to correspond to your questions, and are provided in triplicate, with an affidavit.

1. Applicant Profile, Item 1 and Item 3

Please list the phone number of the owner of the facility, agency or institution. Also, the zip code appears to be incorrect.

Attached following this page is revised page 1R. It provides the owner's phone number, and removes the excess digit from the zip code.

2. Applicant Profile, Item 6

a. The lease provided in the application appears to be missing lines on the bottom of various pages. Please resubmit the lease agreement with all the lines of the agreement legible. There appears to be an amendment to the lease agreement. The document appears to be missing page one of the agreement. In addition, #21 of the lease amendment acknowledges a greater than average degree of care by the applicant for the actions of its patients visitor, and patients. Please discuss item #21 of the lease agreement and how the applicant plans to adhere to item #21.

A better copy of the full lease is attached at the end of this letter. All pages are included and all text is showing in the copied pages.

To comply with the special requirements of item #21, the applicant will take the following steps, which are already being enforced at the current site:

PART A

1. Name of Facility, Agency, or Institution

Raleigh Professional Associates		
<i>Name</i>		
2165 Spicer Cover, Suite 9, Building B	Shelby	
<i>Street or Route</i>	<i>County</i>	
Memphis	TN	38134
<i>City</i>	<i>State</i>	<i>Zip Code</i>

2. Contact Person Available for Responses to Questions

John Wellborn		Consultant	
<i>Name</i>		<i>Title</i>	
Development Support Group		jwdsg@comcast.net	
<i>Company Name</i>		<i>E-Mail Address</i>	
4219 Hillsboro Road, Suite 203	Nashville	TN	37215
<i>Street or Route</i>	<i>City</i>	<i>State</i>	<i>Zip Code</i>
CON Consultant	615-665-2022	615-665-2042	
<i>Association With Owner</i>	<i>Phone Number</i>	<i>Fax Number</i>	

3. Owner of the Facility, Agency, or Institution

VCPHCS XXI, LLC dba Behavioral Health Group		214-365-6100	
<i>Name</i>		<i>Phone Number</i>	
8300 Douglas Avenue, Suite 750		Dallas	
<i>Street or Route</i>		<i>County</i>	
Dallas	TX	75225	
<i>City</i>	<i>State</i>	<i>Zip Code</i>	

4. Type of Ownership or Control (Check One)

A. Sole Proprietorship	<input type="checkbox"/>	F. Government (State of TN or Political Subdivision)	<input type="checkbox"/>
B. Partnership	<input type="checkbox"/>	G. Joint Venture	<input type="checkbox"/>
C. Limited Partnership	<input type="checkbox"/>	H. Limited Liability Company	<input checked="" type="checkbox"/>
D. Corporation (For-Profit)	<input type="checkbox"/>	I. Other (Specify):	<input type="checkbox"/>
E. Corporation (Not-for-Profit)	<input type="checkbox"/>		<input type="checkbox"/>

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS**

Page Two
May 28, 2013

1. *Congregation in the parking areas and other common areas*--This will be prevented by the security guard, who goes on duty 15 minutes before the arrival of staff and before the arrival of patients, each morning. Patients are allowed to come into the facility at 5 am to avoid loitering outside.
2. *Avoidance of nuisances*--This is achieved through the measures described in the other five points. Specific nuisances brought to the clinic's attention by the landlord must be immediately corrected under the terms of the lease.
3. *Use, exchange, or sale of alcohol or controlled substances on premises*--This is prevented by the security guard. Such activities are forbidden in this clinic program and noncompliant patients will be discharged from the program. The only use of a controlled substance on the premises will be nurses' daily administration of oral medications as prescribed.
4. *After-hours visitation to the project*--The clinic will be inside an office building, and will be securely locked after hours. So it cannot be visited after hours. Security for the corporate business park is responsible for ensuring that no unauthorized persons use corporate parking areas after business hours.
5. *Trash in common areas*: Security for the clinic will be able to prevent this during clinic hours; security for the office park will also have responsibility for this both during and after business hours. Please note that this is a problem common to all tenants and business parks. Housekeeping services are provided daily from 11:30 am to 1:30 pm after the last scheduled patients leave at 11. These staff will ensure that external and internal areas are free of patient litter.
6. *Increasing the costs of landlord's insurance coverage*--The clinic imposes strict behavior codes on all patients as conditions of continuing in the program; and refraining from any actions that harm persons or premises (and therefore increase insurance rates) is an absolute requirement of being in the program.

b. The applicant did not initial the amendment to the lease after item 21 as requested by the landlord. Please clarify.

It is initialed on the lease copy attached to this letter.

c. When was this facility purchased by the applicant?

November 19, 2011 was the acquisition date.

Page Three
May 28, 2013

3. Section B., Project Description, Item I

a. Please explain the State-Designated Methadone Planning Areas and how this proposed project fits into that plan.

In response to a request by the Tennessee General Assembly, in late 2001 the Tennessee Department of Health conducted a study of opioid dependency issues and methadone treatment needs in Tennessee—in consultation with other State agencies and experts, and utilizing all available clinical sources, e.g., the 1997 National Institutes of Health Consensus Statement on Methadone Treatment. The study's findings and recommendations were set forth in a Commissioner's Report to the General Assembly. Pages 3-9 of the Commissioner's Report contain most of the concerns, findings, and estimates referred to in this CON application. Paraphrased highlights are as follows:

- *Untreated opioid dependency costs U.S. society \$20 billion annually, of which more than \$1.2 billion are health care costs (p. 3).*
- *Most opioid-dependent persons cannot remain drug-free (p. 3). Opioid use leads to criminal behavior; 95% of opioid users in one study reported committing crimes while using opioids (p. 3).*
- *The NIH (National Institutes of Health) literature states that methadone maintenance treatment, or "MMT", is effective in reducing opioid drug use, in reducing crime, in increasing productivity, and in reducing diseases such as AIDS and hepatitis, while providing an opportunity for employment and improved quality of life for patients (p. 3).*
- *From a public policy standpoint, placing persons in a nonresidential methadone treatment program is preferable (to) allowing them to remain dependent on opioids (p. 6).*
- *Available public health data don't accurately quantify the opioid problems in Tennessee (p. 4). However, Federal planning factors indicate that Tennessee probably had 12,300 opioid-dependent residents in 2000/2001, only a fraction of whom were participating in methadone programs (p. 6).*
- *Tennessee had too few methadone programs (p. 4). The closer one lives to a treatment program, the greater likelihood of participation (p. 4). All Tennesseans who are eligible for and choose to participate in a nonresidential methadone treatment program should have reasonable geographic access to a program (p. 6)—to develop a life that could include full employment...(p. 6).*

Page Four
May 28, 2013

- *Assuring reasonable access to a treatment program led to the Department's designating and recommending 23 Methadone Service Areas (p. 8), with sufficient population (minimum 100,000+) to make a clinic viable (p. 6), and offering geographic access to its residents within an hour's drive (p. 8).*

The General Assembly took no action on this report when it was submitted. Recent 2012 legislation regulating these clinics did not reference the report or its planning areas. The MPA Plan is unrelated to this CON application except as referenced in the application; the project merely allows this OTP to continue to serve the Memphis MPA that it has always served.

b. The application under the heading "ownership structure" refers readers to Attachment A.4 for information regarding the facilities owned by the applicant's parent organization. The information could not be found. Please provide ownership interest in any other health care institutions.

The only licensed Tennessee facilities owned by BHG are its several OTP clinics across Tennessee. A list of those was included in Attachment C, Need--3 (location maps). An additional list is attached following this page, for insertion into Attachment A-4.

c. What is the age of the present facility and the new proposed facility?

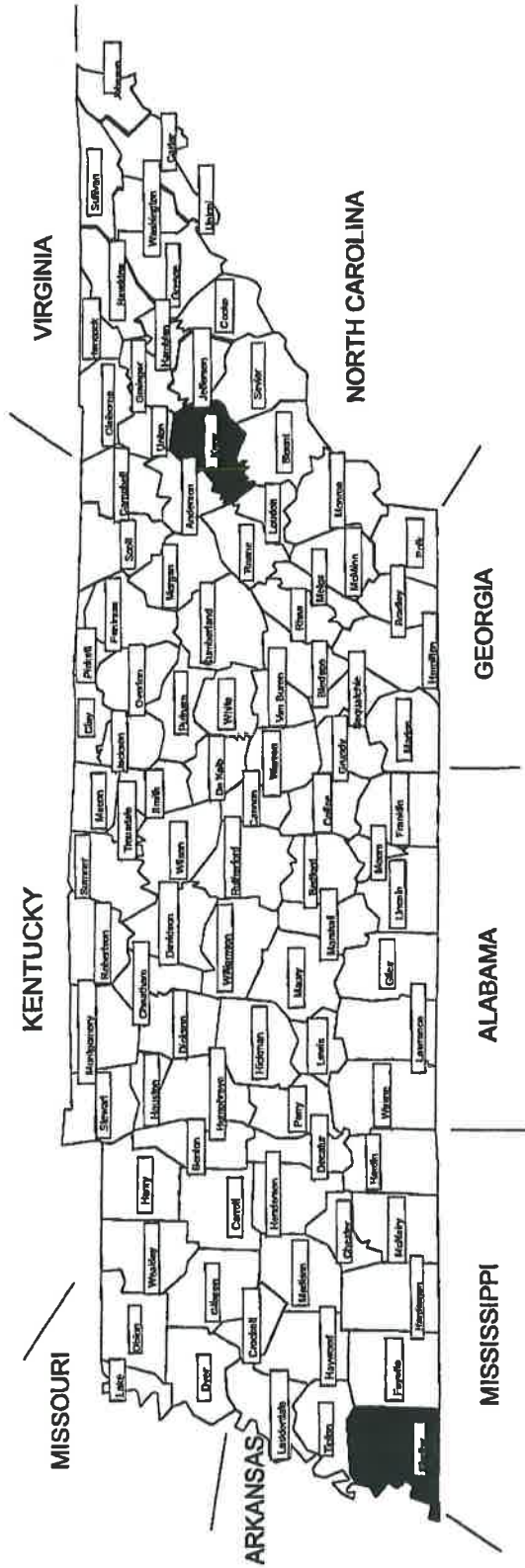
The applicant's real estate agency in Memphis says that the current building is at least 25 years old but has no more specific information. A web search identified no further information. The proposed site is in a well-maintained building constructed in 1988, approximately 25 years ago.

d. Approximately how many more parking spaces are available at the new proposed site?

Current Site:	approximately 40 spaces available
Proposed Site:	approximately 50 spaces available
Difference:	10 more spaces

March 2011

Tennessee Opioid Treatment Clinics



○ ONE LOCATION ● TWO LOCATIONS ● THREE LOCATIONS



Shelby (Memphis)
ADC Recovery & Counseling Center
3041 Getwell, Suite 101
Memphis, TN 38118
(901) 375-1050
Hours of Operation M-F 5a-1:30p; Sat 6a-9a
Dosing Hours M-F 5:30a-11a; Sat 6a-9a

Memphis Center for Research & Addiction
1270 Madison Ave
Memphis, TN 38104
(901) 722-9420
Hours of Operation M-F 5:45a-2p; Sat 6a-9a
Dosing Hours M-F 5:45a-1p; Sat 6a-9a

Raleigh Professional Associates
2960-B Austin Peay Hwy
Memphis, TN 38128
(901) 372-7878
Hours of Operation M-F 5a-1p; Sat 6a-2p
Dosing Hours M-F 5a-9a; Sat 6a-10a

Dyer (Dyersburg)
MidSouth Treatment Center
640 Hwy 51 Bypass 3, Suite M
Dyersburg, TN 38024
(731) 285-6535
Hours of Operation M-Sat 5a-11a
Dosing Hours M-F 5a-11a; Sat 6a-10a

Madison (Jackson)
Jackson Professional Associates
1869 Hwy 45 Bypass, Suite 5
Jackson, TN 38305
(731) 660-0880
Hours of Operation M-F 5a-1p; Sat 6a-2p
Dosing Hours M-F 5a-1p; Sat 6a-2p

Henry (Paris)
Paris Professional Associates
2555 East Wood Street
Paris, TN 38242
(731) 641-4545
Hours of Operation M-Sat 5a-1p
Dosing Hours M-Sat 5a-1p

Hardin (Savannah)
Solutions of Savannah
85 Harrison Street
Savannah, TN 38372
(731) 925-2767
Hours of Operation M-Sat 5:30a-12p
Dosing Hours M-F 5:30a-11a; Sat 6a-9a

Maury (Columbia)
Recovery of Columbia
1202 South James Campbell Blvd.
Columbia, TN 38401
(931) 381-0020
Hours of Operation M-Sat 5:30a-11a
Dosing Hours M-F 5:30-11a; Sat 6a-9a

Davidson (Nashville)
Middle Tennessee Treatment Center
2410 Charlotte Avenue
Nashville, TN 37203
(615) 321-2575
Hours of Operation M-Sat 6a-1p
Dosing Hours M-F 6a-1p; Sat 6a-9a

Hamilton (Chattanooga)
Volunteer Treatment Center, Inc.
2347 Rossville Blvd
Chattanooga, TN 37408
(423) 265-3122
Hours of Operation M-Sat 5:30a-2p
Dosing Hours M-F 5:30a-12:30p; Sat 5:30-11a

Knox (Knoxville)
DRD Knoxville Medical Clinic-Central
412 Citico Street
Knoxville, TN 37921
(865) 522-0661
Hours of Operation M-Sat 5:30a-2:30p
Dosing Hours 5:30a-11p; Sat 6a-9a

DRD Knoxville Medical Clinic-Bernard
626 Bernard Avenue
Knoxville, TN 37921
(865) 522-0161
Hours of Operation M-Sat 5:30a-2:30p
Dosing Hours M-F 5:30a-11a; Sat 6a-9a

SUPPLEMENTAL- # 1

May 28, 2013 3:45 pm

Page Five
May 28, 2013

e. What is the maximum number of patients that can be seen at the present site and what is the maximum number of patients that can be seen at the proposed site?

The current location can accommodate approximately 300 patients. The proposed location is being opened with space for 260 patients. If all available "future counselor" space is furnished the program could accommodate approximately 350 patients. However, this is not anticipated; enrollments are projected to remain approximately the same for the foreseeable future.

4. Section B., Project Description, Item II.A

a. Please clarify what "EMP Zoning" is.

EMP stands for "Employment". An EMP zoning classification accommodates a wide variety of commercial uses, some of which are listed in the Memphis Unified Development Code, and others of which are listed in the chart following this page. A medical clinic such as ADC is permitted under EMP zoning.

b. Is there support from any local businesses?

The applicant does not know whether nearby businesses are aware of the proposed clinic, or if they support its relocation to this office park. Publication of notice is all that any applicant is required to provide in that regard. However, the applicant believes the landlord who has entered into this lease can be presumed to know if the proposed use is acceptable to other tenants. And of course, upon inquiry from any such businesses, or after CON approval of the move, the applicant will meet with nearby tenants to resolve any concerns they might have.

c. The applicant states a significant number of guests patients who are traveling through Memphis are also served by Raleigh Professional Associates. Approximately what is the number of "guest patients" are provided care on a monthly basis?

There are usually four such patients most months.

May 28, 2013
3:45 pm

Article 2 Districts and Uses

2.5 Permitted Use Table
2.5.2 Use Table Key

Key: Blank Cell = Not Permitted ■ = Permitted □ = Special Use Approval C = Conditional Use Permit + = Conditional Use Permit - Significant Neighborhood Structure																														
USE CATEGORY	PRINCIPAL USE	P	OS	FW	CA	CIV	R-MP	R-E	R-15	R-10	R-8	R-6	R-3	RU-1	RU-2	RU-3	RU-4	RU-5	R-W	OG	CMU-1	CMU-2	CMU-3	CBD	CMP-1	CMP-2	EMP	WD	HI	Use Standard
Education Facility (see 2.9.3C)	School, Trade, Vocational, Business																													
	Dormitory, housing for students or faculty accessory to educational facilities not classified as colleges, community colleges or universities																													
Medical Facility (see 2.9.3D)	Blood Plasma Donation Center																													
	Medical or Dental Laboratory																													
	Pharmacy																													
	Hospital																													
	Medical, Dental or Chiropractic Clinic/Office, massage therapy, or outpatient surgery center																													
	All parks and open areas, except as listed below:																													
Park/Open Area (see 2.9.3E)	Cemetery, Mausoleum, Columbarium, Memorial Park																													
	Game Preserve, Wildlife Management Area, Refuge, Animal Sanctuary																													
	Recreation Field, without lights																													
	Recreation Field, with lights																													
	Reservoir, Control Structure, Water Supply, Water Well																													
	Airport, Heliport, Airline Terminal																													
Passenger Terminal (see 2.9.3F)	Bus, Train Passenger Terminal																													
	Taxicab Dispatch Station, Limousine Service																													
	Multimodal Facility																													
	All places of worship																													
Place of Worship (see 2.9.3G)	Off-site parking for places of worship																													
Social Service Institution (see 2.9.3H)	All social service institutions																													
	All minor utilities																													
Utilities (see 2.9.3I)	All major utilities																													
	Amateur Radio Operator Tower (65 feet or less)																													
	Communication towers																													
	CMCS tower and facilities																													
	Wind farm																													
	Solar farm																													
COMMERCIAL																														
Funeral Services (see 2.9.4L)	Funeral establishment, funeral merchandise, funeral directing, crematorium and pet crematorium																													
Indoor Recreation (see 2.9.4A)	All indoor recreation, except as listed below:																													
	Adult-oriented establishment																													
	Athletic, tennis, swim or health club																													

Page Six
May 28, 2013

5. Section B., Project Description, Item III.A.

The attached plot plan is noted. Please identify buildings A, B, C, D and F.

The submitted plot plan has been amended with additional building labels as requested by staff. It is attached following this page.

6. Section B., Project Description, Item III.B.1

a. Please provide the walking distance from the nearest bus stop to the proposed site using the Shelby County Mass Transit web-site, at [http:// www.matatransit.com/](http://www.matatransit.com/).

The site is 0.4 miles and 8 minutes walking time from the closest bus stop, at the intersection of Covington Pike and Elmore Road. Spicer Cove intersects Elmore Road. See map attached after this page.

b. The applicant states the proposed site will open at 5:00 am. When does public bus service begin each day to the proposed site? Is mass transit available 7 days per week?

Buses on route 37 are scheduled to arrive at the Covington Pike and Elmore Road intersection at 6:42 am, Monday through Friday. There are no buses on the route on Saturdays or Sundays.

b. Approximately how many patients use mass transit?

The applicant has no patients this year who are using mass transit; they drive themselves. In some prior years perhaps one to two a year might be taking the bus.

7. Section C, Economic Feasibility, Item 1 (Project Costs Chart)

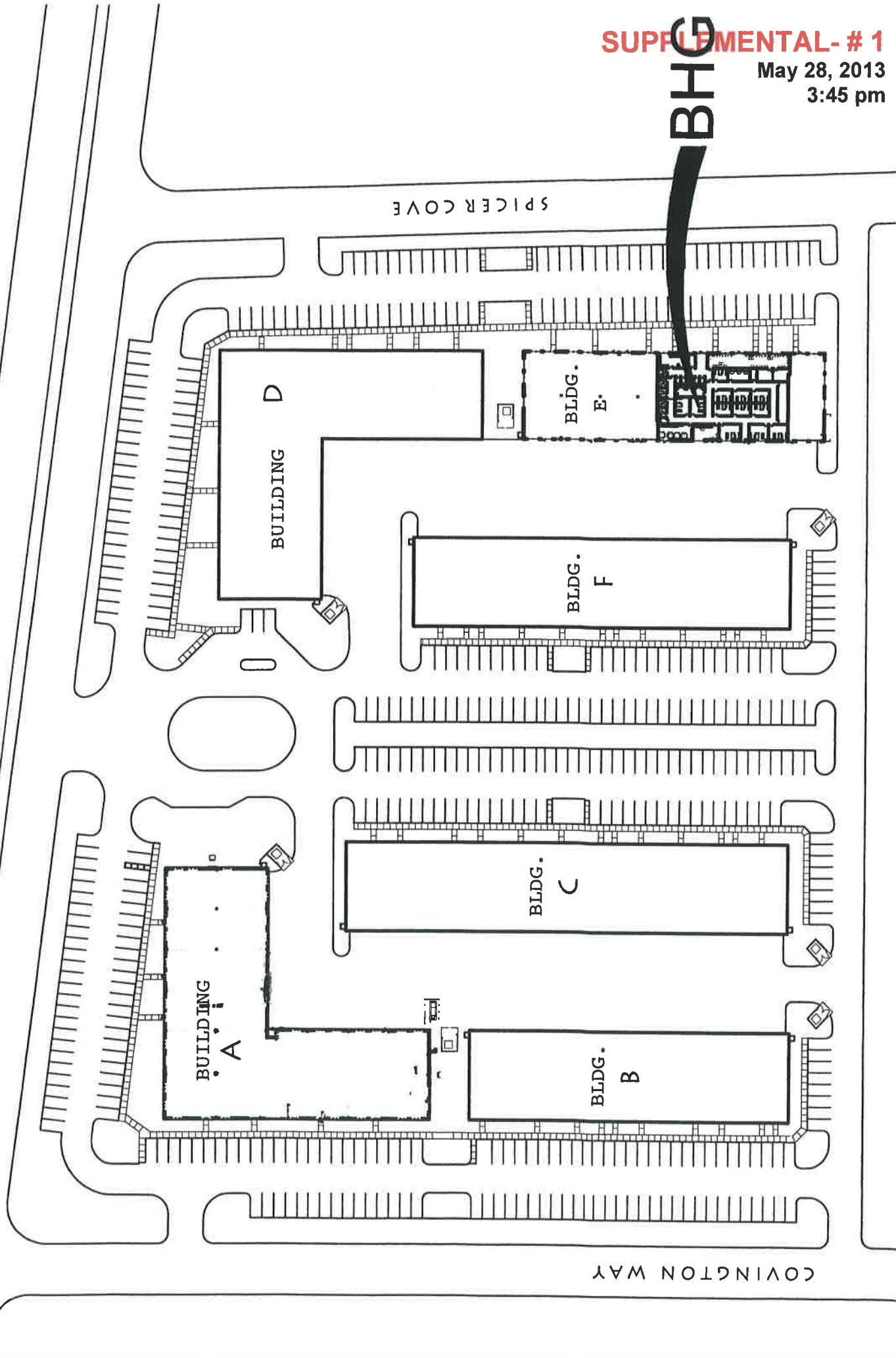
a. The referenced Architect's letter in Attachment C, Economic Feasibility-1 is not included in the application. Please provide the referenced attachment.

The architect's letter was submitted in triplicate on Friday, May 17.

Perimeter Point

(11.73 ± ACRES)

ELMORE ROAD



SUPPLEMENTAL- # 1

May 28, 2013
3:45 pm

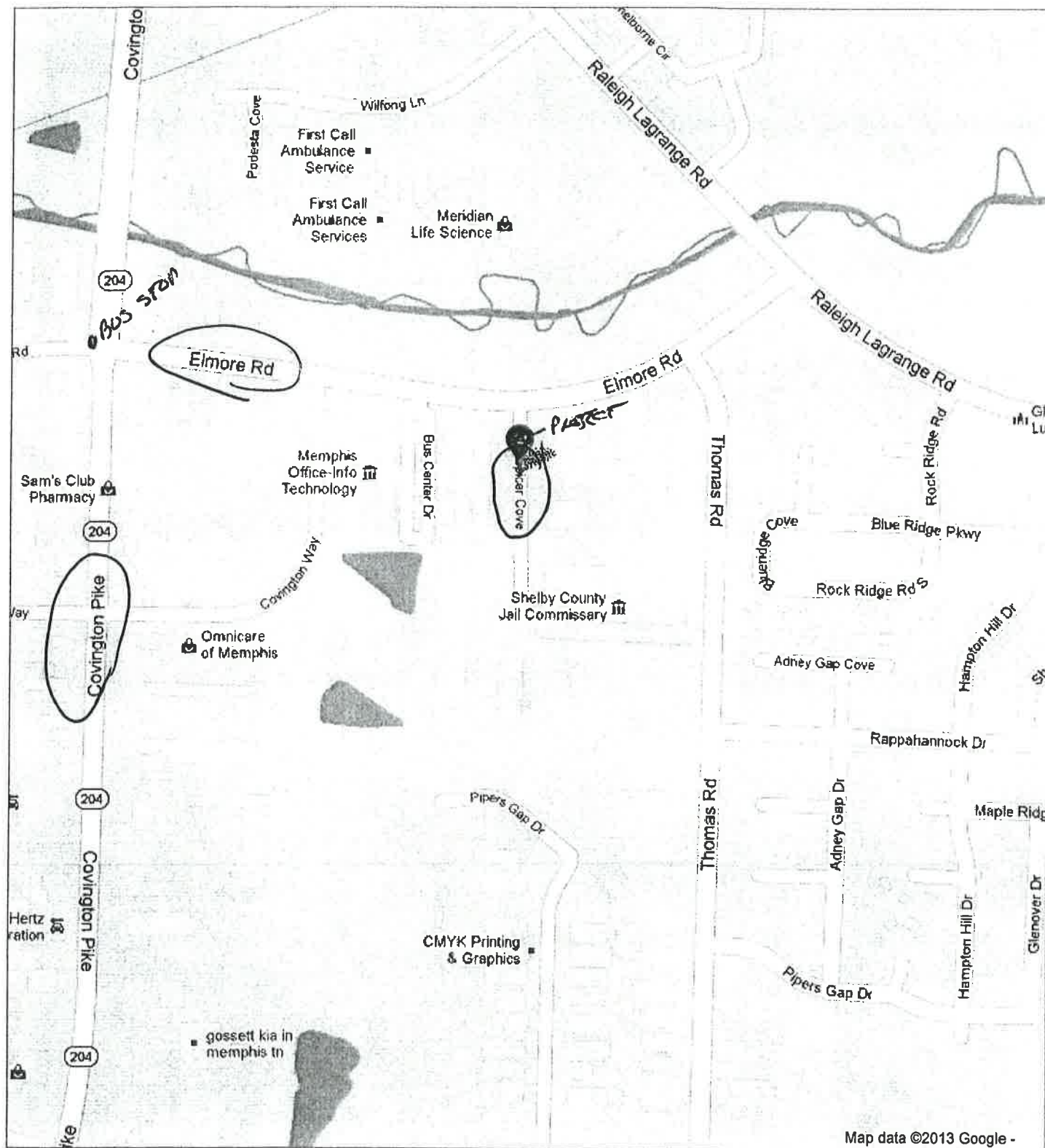
SUPPLEMENTAL- # 1

To see all the details that are visible on the screen, use the "Print" link next to the map.

May 28, 2013
8:45 pm

Google

RPA 2165 Spicer Cove



Page Seven
May 28, 2013

b. Please compare the lease cost of the current facility to the new proposed facility.

Current lease cost, CY2013:	\$35,640
Proposed lease cost, CY2014:	\$42,588

c. The applicant is leasing 7,350 SF of a building that has 16,806 SF. Are there other businesses located in the building? Who has control of the remainder of the building?

The two businesses in the building are the Tennessee Department of Safety, and Lincare, which appears to be a healthcare equipment and supply company. The building is controlled by the lessor, whose name on the lease is "CP Perimeter Point East, LLC, a Tennessee Limited Liability Company".

8. Section C. Economic Feasibility, Item 2

a. The applicant states the proposed project cost of \$689,385 will be funded through cash reserves of VCPHC XXI, LLC. The balance sheet as of March 31, 2013 indicates cash on hand in the amount of \$23,307. In addition, the Income Statement ending March 2013 for VCPHCS, XXI, LLC reflects a net loss of (\$133,952). Please clarify if the applicant intends to fund the project through the asset category "Inter-company VCPHCS" that totals \$1,834,805. If so, please clarify this current asset as it relates to Behavioral Health Group's Balance Sheet that list a total of \$2,559,323 in current assets and current liabilities of \$2,789,332.

VCPHCS XXI, LLC's parent, Behavioral Health Group (BHG), maintains a significant cash balance upon which its Treatment Centers can draw to fund capital projects. VCPHCS XXI, LLC generates adequate excess cash from ongoing operations to fund ordinary course liabilities (payroll, other Cost of Goods Sold, and Operating Expenses) and has done so since BHG's ownership commenced. BHG (the Parent) also generates additional excess cash flows from its other twenty-eight (28) treatment centers operating in eight (8) states. In addition, BHG has both immediate and unfettered access to an untapped credit line of more than \$5,000,000 and can also call upon committed equity capital that exceeds its credit line. The project will be funded by the BHG (parent company) resources.

Page Eight
May 28, 2013

b. The applicant's parent company Behavioral Health Group has a current ratio of .91:1. Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities. How is the applicant meeting current liability obligations?

The current ratio depicted on the March 31, 2013 balance sheet reflects two temporary anomalies that do not reflect on the organization's healthy liquidity position. First, the Company made the discretionary decision to fund the acquisition of three providers in December 2012 with cash (approximately \$2.24 million) as opposed to funding them with long-term debt, which would have maintained the current ratio significantly higher than 1.0. The net effect of this elective decision changed a November Current Ratio of 1.88 (Current Assets \$7.3 million and Current Liabilities \$3.9 million) to one temporarily slightly less than 1.0. In fact, the cash balance prior to funding these acquisitions was \$4.5M. Second, the "Accrued Expenses" liability line item reflects a \$500,000 escrow holdback related to these acquisitions that is due to be paid in December 2013. Elimination of this one-time liability establishes a Current Ratio equal to 1.11:1.00. More importantly, BHG's ongoing strong operating cash flows and ready access to both equity and debt capital ensures excellent liquidity.

2013 MAY 28 PM 3 51

Page Nine
May 28, 2013**9. Section C, Economic Feasibility, Item 4 Historical Data Chart and Projected Data Chart****a. The Historical Data Chart notes \$200.00 was spent on training in 2012 increasing to \$2,500 in 2014 and \$3,000 in 2015 on the Projected Data Chart. Please clarify.**

Behavioral Health Group has recently established a dedicated Training and Education Department within its Human Resources Department. The organization has made significant development in both dedicated training staff, infrastructure (e.g., software based Learning Management System (LMS)), and program development. The increase in training expenditure reflects the allocation of training content development costs to the Treatment Center.

b. Why there is \$184,781 in interest paid in 2012 as listed under Capital Expenditures in the Historical Data Chart?

A stock purchase of Behavioral Health Group occurred in August 2011. A portion of that purchase price was funded with long-term debt. The interest expense paid in 2012 reflects the allocation of a portion of the debt interest payments by BHG to VCPHCS XXI, LLC.

c. The physician salaries and wages are listed as \$70,356 on the Projected Data Chart. On average, how many hours a week do physicians provide services?

Historically, the Medical Director has provided approximately twelve (12) hours of in-clinic coverage across four (4) scheduled days per week. In addition, our Medical Director is available for both consult and emergency in-clinic coverage twenty-four (24) hours per day, seven (7) days per week. VCPHCS XXI, LLC also maintains a dedicated back-up Program Physician in the event the Treatment Center's Medical Director is unavailable (i.e., goes on a scheduled vacation). Last, VCPHCS XXI, LLC's historical physician coverage exceeds the mandated regulatory requirements.

10. Section C, Orderly Development, Item 3**a. The staffing requirement of the proposed project is noted. The applicant's LPN salary range of \$33,250-\$39,000 appears to not be compatible with the Shelby County mean wage of \$39,660. Please clarify.**

LPN's at BHG facilities spend a large majority of their time dosing patients. At a basic level this encompasses sitting at a counter in a dosing booth, handing patients the appropriate amount of medication, and observing the patients reaction to the medication.

Page Ten
May 28, 2013

This role requires light physical duty and a limited scope of practice when compared with other LPN positions in nursing homes, hospitals, etc. Consequently the range is not equal to that of Shelby County LPN's as a whole.

11. Section C, Orderly Development, Item 7. (c)

The applicant states Raleigh Professional Associates holds a three-year Joint Commission Accreditation. Please provide documentation of the certification.

Please see the third page in Attachment A.4 of the application.

12. Section C, Orderly Development, Item 7. (d)

The life safety category for the Tennessee Department of Mental Health and Substance Abuse Services license for the applicant's current location list the site as is not accessible to mobile, non-ambulatory individuals and is not approved for patients with hearing loss. Please clarify if the new proposed site will be equipped to handle these populations.

The new building will be wheelchair-accessible and otherwise handicapped-accessible. It will not be specially equipped for patients with hearing loss (although patients with hearing impairments can be served unless their loss makes it impossible for them to participate in counseling).

13. Support Letters

Please provide any letters of support from the community, government, judicial and law enforcement, physical and behavioral health care providers, and residents near the proposed facility.

No support letters have been sought or received, as yet. If any are received, they will be submitted timely to the HSDA staff.

Page Eleven
May 28, 2013

14. Proof Of Publication

Please submit a copy of the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit which is supplied by the newspaper as proof of the publication of the letter of intent.

The originally submitted application contained a folded full page of the newspaper in which the notice of intent appeared (with the mast and dateline intact).

15. Notification Requirements

Please note that Tennessee Code Annotated 68-11-1607(c)(3) states that "...Within ten (10) days of filing an application for a nonresidential methadone treatment facility with the agency, the applicant shall send a notice to the county executive of the county in which the facility is proposed to be located, the member of the House of Representatives and the Senator of the General Assembly representing the district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential methadone treatment facility has been filed with the agency by the applicant. Please provide documentation that these notification requirements have been met.

Documentation is attached at the end of this response letter.

Additional Item from Applicant

The applicant is attaching revised pages 48R-49R after this page. These are the Projected Data Chart and Notes. Errors were discovered in the amounts entered in the rent line. In the revisions, rent includes payments for both the space and certain other items such as software.

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please FAX or telephone me so that we can respond in time to be deemed complete.

Respectfully,



John Wellborn
Consultant

PROJECTED DATA CHART -- RALEIGH PROFESSIONAL ASSOCIATES

SUPPLEMENTAL- # 1

May 28, 2013

3:45 pm

Give information for the two (2) years following the completion of this proposal.

The fiscal year begins in January.

2013 MAY 28 PM 3 51

		Year 2014	Year 2014
	Patients	260	260
	Encounters	94,900	94,900
A.	Utilization Data		
B.	Revenue from Services to Patients		
1.	Inpatient Services	\$	\$
2.	Outpatient Services	1,284,400	1,324,960
3.	Emergency Services		
4.	Other Operating Revenue (Specify)		
	Gross Operating Revenue	\$ 1,284,400	\$ 1,324,960
C.	Deductions for Operating Revenue		
1.	Contractual Adjustments	\$	\$
2.	Provision for Charity Care	19,266	19,874
3.	Provisions for Bad Debt	32,110	33,124
	Total Deductions	\$ 51,376	\$ 52,998
	NET OPERATING REVENUE	\$ 1,233,024	\$ 1,271,962
D.	Operating Expenses		
1.	Salaries and Wages	\$ 497,125	\$ 512,039
2.	Physicians Salaries and Wages	68,640	70,356
3.	Supplies	38,500	40,000
4.	Taxes	49,713	51,204
5.	Depreciation	125,000	100,000
6.	Rent	42,588	43,865
7.	Interest, other than Capital	-	-
8.	Management Fees		
a.	Fees to Affiliates	0	0
b.	Fees to Non-Affiliates	0	0
9.	Other Expenses (Specify) <small>See notes</small>	280,612	291,985
	Total Operating Expenses	\$ 1,102,178	\$ 1,109,449
E.	Other Revenue (Expenses) -- Net (Specify)	\$	\$
	NET OPERATING INCOME (LOSS)	\$ 130,846	\$ 162,512
F.	Capital Expenditures		
1.	Retirement of Principal	\$ 0	\$ 0
2.	Interest	135,000	100,000
	Total Capital Expenditures	\$ 135,000	\$ 100,000
	NET OPERATING INCOME (LOSS)		
	LESS CAPITAL EXPENDITURES	\$ (4,154)	\$ 62,512

Notes to D9, Other Expenses:

<u>Category of Expense</u>	<u>2014</u>	<u>2015</u>
Insurance		
Liability & Contents	6,100	6,200
Workers Compensation	2,500	2,000
Employee Health/Dental/Vision	41,000	43,000
401k	6,000	6,750
Lab Fees	33,500	34,750
Maintenance	10,000	11,250
Training & Education	2,500	3,000
Security	38,500	40,000
Licenses & Permits	6,400	6,400
Office Expense	16,200	17,400
Utilities	9,000	9,600
Telecommunications	18,000	19,500
Practice Management Software	18,000	18,000
Miscellaneous (1)	56,412	57,135
Corporate Overhead Allocation	16,500	17,000
Totals	280,612	291,985

(1) Includes advertising, bank fees, dues & subscriptions, employee recruitment, office supplies, etc.

Behavioral Health Group

Notification of Public Officials

2165 Spicer Cove, Suite 9, Memphis, Tennessee 38134

May 15, 2013

VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED

The Honorable Jim F. Kyle
Senator, State of Tennessee
100 Peabody Place, Suite 1375
Memphis, TN 38103

**RE: Proposed Relocation of Adult Non-Residential Substitution-Based Treatment
Center for Opiate Addiction**

Dear Senator Kyle:

Please be advised that VCPHCS XXI, LLC d/b/a Raleigh Professional Associates has filed an application with the Tennessee Health Services and Development Agency to relocate from its current site at 2960-B Old Austin Peay Highway, Memphis, Tennessee 38128 to 2165 Spicer Cove, Suite 9, Memphis, Tennessee 38134 (a distance of three miles), at a capital cost estimated at \$1,137,000.

Opioid Treatment Programs (OTPs) give persons struggling with opioid drug addiction (e.g., OxyContin, hydrocodone) the best chance at long term recovery, as the OTP treatment model specifically addresses both the neurochemical and psychological aspects of the disease. This dual-pronged approach is accomplished on an outpatient basis through physician-supervised medication assisted treatment (i.e., methadone replacement therapy) and intensive behavioral treatment (i.e., individual and group counseling), and it is complemented by access to social services and other support systems for patients. OTPs have been found by the Tennessee Department of Mental Health and relevant federal agencies to be tremendous resources for persons struggling to overcome opioid addiction and also for their families and communities.

This notice is provided pursuant to Tenn. Code Ann. § 68-11-1607(c)(3).

Please contact Richard Lodge at 615-742-6254 should you desire further information.

Sincerely,

VCPHCS XXI, LLC d/b/a Raleigh
Professional Associates

SUPPLEMENTAL- # 1

May 28, 2013

3:45 pm

BHG
Spicer Cove

7011 3500 0001 0063 9637

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Postmark Here

Sent To The Honorable Jim F. Kyle
 Senator, State of Tennessee
 Street, Apt. or PO Box 100 Peabody Place, Suite 1375
 City, State Memphis, TN 38103

PS Form 3800, August 2006 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

The Honorable Jim F. Kyle
 Senator, State of Tennessee
 100 Peabody Place, Suite 1375
 Memphis, TN 38103

2. Article Number
 (Transfer from service label)

7011 3500 0001 0063 9637

PS Form 3811, February 2004

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X R.H. Kyle

☐ Agent

☐ Addressee

B. Received by (Printed Name)

R.H. CHIP CHUCKLEY

C. Date of Delivery

D. Is delivery address different from Item 1?

☐ Yes

If YES, enter delivery address below:

☐ No

3. Service Type

☒ Certified Mail

☐ Express Mail

☐ Registered

☐ Return Receipt for Merchandise

☐ Insured Mail

☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Domestic Return Receipt

102595-02-M-1540

May 15, 2013

VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED

The Honorable Mark H. Luttrell, Jr.
Mayor, Shelby County, Tennessee
160 N. Main Street, Suite 1850
Memphis, TN 38103

**RE: Proposed Relocation of Adult Non-Residential Substitution-Based Treatment
Center for Opiate Addiction**

Dear Mayor Luttrell:

Please be advised that VCPHCS XXI, LLC d/b/a Raleigh Professional Associates has filed an application with the Tennessee Health Services and Development Agency to relocate from its current site at 2960-B Old Austin Peay Highway, Memphis, Tennessee 38128 to 2165 Spicer Cove, Suite 9, Memphis, Tennessee 38134 (a distance of three miles), at a capital cost estimated at \$1,137,000.

Opioid Treatment Programs (OTPs) give persons struggling with opioid drug addiction (e.g., OxyContin, hydrocodone) the best chance at long term recovery, as the OTP treatment model specifically addresses both the neurochemical and psychological aspects of the disease. This dual-pronged approach is accomplished on an outpatient basis through physician-supervised medication assisted treatment (i.e., methadone replacement therapy) and intensive behavioral treatment (i.e., individual and group counseling), and it is complemented by access to social services and other support systems for patients. OTPs have been found by the Tennessee Department of Mental Health and relevant federal agencies to be tremendous resources for persons struggling to overcome opioid addiction and also for their families and communities.

This notice is provided pursuant to Tenn. Code Ann. § 68-11-1607(c)(3).

Please contact Richard Lodge at 615-742-6254 should you desire further information.

Sincerely,

VCPHCS XXI, LLC d/b/a Raleigh
Professional Associates

SUPPLEMENTAL - # 1

BHG *Spencer Cove*
May 28, 2013
3:45 pm

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Restricted Delivery Fee (Endorsement Required)
Total Postage & Fees \$

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Sent To The Honorable Mark H. Luttrell, Jr.
Mayor, Shelby County, Tennessee
160 N. Main Street, Suite 1850
Memphis, TN 38103

PS Form 3800, August 2006 See Reverse for Instructions

Recd at OBS - 530-2013

SENDER: COMPLETE THIS SECTION

- Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

The Honorable Mark H. Luttrell, Jr.
Mayor, Shelby County, Tennessee
160 N. Main Street, Suite 1850
Memphis, TN 38103

2. Article Number
(Transfer from service label)

7011 3500 0001 0063 9620

PS Form 3811, February 2004 Domestic Return Receipt

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X D Horton

B. Received by (Printed Name)
SHIRTS

C. Date of Delivery
5/17/13

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

102595-02-M-1540

May 15, 2013

VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED

The Honorable A.C. Wharton, Jr.
Mayor, City of Memphis
City Hall, Room 700
125 N. Main Street
Memphis, TN 38103

**RE: Proposed Relocation of Adult Non-Residential Substitution-Based Treatment
Center for Opiate Addiction**

Dear Mayor Wharton:

Please be advised that VCPHCS XXI, LLC d/b/a Raleigh Professional Associates has filed an application with the Tennessee Health Services and Development Agency to relocate from its current site at 2960-B Old Austin Peay Highway, Memphis, Tennessee 38128 to 2165 Spicer Cove, Suite 9, Memphis, Tennessee 38134 (a distance of three miles), at a capital cost estimated at \$1,137,000.

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Please contact Richard Lodge at 615-742-6254 should you desire further information.

Sincerely,

VCPHCS XXI, LLC d/b/a Raleigh
Professional Associates

May 28, 2013
3:45 pm
BHG - Spencer

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Postage \$
Certified Fee
Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)
Total \$

Postmark Here

7011 3500 0001 0063 9590

MAY 15 2013

The Honorable A.C. Wharton, Jr.
Mayor, City of Memphis
City Hall, Room 700
125 N. Main Street
Memphis, TN 38103

PS Form 3811, February 2004

Recd. 5-20-2013

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

The Honorable A.C. Wharton, Jr.
Mayor, City of Memphis
City Hall, Room 700
125 N. Main Street
Memphis, TN 38103

2. Article Number (Transfer from service label) 7011 3500 0001 0063 9590

COMPLETE THIS SECTION ON DELIVERY

A. Signature ☒ Agent ☐ Addressee
x Tara Tate

B. Received by (Printed Name) C. Date of Delivery
Tara Tate 5-17-13

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

STANDARD COMMERCIAL LEASE PERIMETER POINT EAST

ARTICLE 1.00 BASIC LEASE TERMS

1.01 Parties. This lease agreement ("Lease") dated January 22, 2013 is entered into by and between the following Landlord and Tenant: CP Perimeter Point East, LLC, Tennessee limited liability company ("Landlord") and is VCPHCS XXI, LLC, Delaware limited liability company ("Tenant").

1.02 Leased Premises. In consideration of the rents, terms, provisions and covenants of this Lease, Landlord hereby leases, lets and demises to the Tenant the following described premises ("Leased Premises") as shown on Exhibit "A" attached hereto: Perimeter Point Business Center, 2165 Spicer Cove Ste. 9, Memphis, Tennessee 38134. Tenant acknowledges, and Landlord represents, that the approximate square footage of the Leased Premises is approximately 7,350 square feet.

1.03 Term. Subject to and upon the conditions set forth herein, the term of this Lease shall commence on February 1, 2013 (the "Commencement Date") and shall terminate on January 31, 2023. Landlord shall not be liable to Tenant in the event Landlord does not deliver possession of the Leased Premises to Tenant on the Commencement Date, and Landlord's non-delivery of the Leased Premises to Tenant on the Commencement Date, however, if Landlord does not deliver possession of the Leased Premises to Tenant in the condition required hereunder by the Commencement Date, then Tenant shall not be obligated to perform any of its obligations hereunder. The Commencement Date shall be delayed, however, until possession of the Leased Premises is delivered to Tenant in the condition required by this Lease, and the Lease term shall be extended for a period equal to the delay in delivery of possession of the Leased Premises to Tenant. If delivery of possession of the Leased Premises in the condition required hereunder is delayed, Landlord and Tenant shall, upon such delivery execute an amendment to this Lease setting forth a Commencement Date and expiration date of the Lease. In the event Tenant enters the Leased Premises prior to the Commencement Date, Tenant shall execute and deliver to Landlord a Hold Harmless Agreement in a form provided by Landlord whereby Tenant releases Landlord from all liabilities, claims and causes of action arising out of any construction or other work performed at the Leased Premises and agrees to pay utility charges incurred by Tenant during such early possession. In addition, Tenant shall provide Landlord evidence of property, builders risk and such other insurance as may be reasonably required by Landlord insuring such work from commencement until completion and naming Landlord as an additional insured. See Article 16.04 – Option to Cancel

1.04 Base Rent and Security Deposit. Base Rent Schedule is as follows:

Term	Base Monthly Rental
02-01-2013 / 09-30-2013	\$ 0.00 per month
10-01-2013 / 01-31-2014	\$ 3,454.00 per month
02-01-2014 / 01-31-2015	\$ 3,557.62 per month
02-01-2015 / 01-31-2016	\$ 3,664.34 per month
02-01-2016 / 01-31-2017	\$ 3,774.27 per month
02-01-2017 / 01-31-2018	\$ 3,887.49 per month
02-01-2018 / 01-31-2019	\$ 4,004.11 per month
02-01-2019 / 01-31-2020	\$ 4,124.23 per month
02-01-2020 / 01-31-2021	\$ 4,247.95 per month
02-01-2021 / 01-31-2022	\$ 4,375.38 per month
02-01-2022 / 01-31-2023	\$ 4,506.64 per month

Security Deposit is \$7,000.00

1.05 Addresses.

Landlord's Address:

CP Perimeter Point East, LLC
c/o Coastal Partners, LLC
3001 Douglas Blvd. #340
Roseville, CA 95661

Tenant's Address:

is VCPHCS XXI, LLC
Attn: James Draudt
8300 Douglas Avenue, Suite 750
Dallas, Texas 75225

1.06 Permitted Use. Outpatient addiction treatment and counseling services and related office use.

ARTICLE 2.00 RENT

2.01 Base Rent. Tenant agrees to pay monthly as Base Rent during the term of this Lease without notice, demand, counter-claim, set-off or abatement (except as set forth herein), the sum of money set forth in section 1.04 of this Lease, which amount shall be payable to Landlord at the address shown above. One monthly installment of rent shall be due and payable on the date of execution of this Lease by Tenant for the first month's rent and a like monthly installment shall be due and payable on or before the first day of each calendar month succeeding the Commencement Date during the term of this Lease; provided, if the Commencement Date should be a date other than the first day of a calendar month, the monthly rental set forth above shall be prorated to the end of that calendar month, and all

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succeeding installments of rent shall be payable on or before the first day of each succeeding calendar month during the term of this Lease. Tenant shall pay, as additional rent, all other sums due under this Lease.

2.02 Real Property Taxes, Assessments, and Insurance. Tenant agrees to pay as additional rent, without deduction or set-off of any kind (except as set forth herein), Tenant's pro-rata share (as determined by the formula set forth below) of all real property taxes and installments of special assessments (including dues and assessments by means of deed restrictions and/or owner's associations, but not any late fees, fines or penalties of any kind or nature) lawfully levied or assessed against the Project and any and all property insurance required to be obtained by Landlord pursuant to this Lease. Said real property taxes, assessments and insurance shall be prorated and paid on or before the first day of every month following the Commencement Date, as additional rent. The proration shall be based upon Landlord's estimate of real property taxes, assessments and required insurance for the current calendar year, provided, that in the event Landlord is required under a mortgage, deed of trust, underlying lease or loan agreement covering the Project to escrow real property taxes, assessments or required insurance, Landlord may but shall not be obligated, to use the amount required to be escrowed as a basis for its estimate. There will be an annual accounting as to actual real property taxes, assessments and required insurance and appropriate payments or credits made. To the extent the Commencement Date or termination date of the Lease is not on the first day of the calendar year or last day of the calendar year respectively, Tenant's liability for real property taxes and required insurance shall be subject to a pro rata adjustment based on the number of days of any such year during which the term of the Lease is in effect. Tenant shall have no right to contest or appeal any value assessment rendered by applicable taxing authorities. Tenant shall pay a pro rata share of such real property taxes, assessments and insurance, such pro rata share to be equal to the product obtained by multiplying the total of such real property taxes assessments and required insurance by a fraction, the numerator of which shall be the number of square feet of floor area of the Leased Premises and the denominator of which shall be the number of square feet of floor area in the Project. For purposes of this Lease, Tenant's pro rata share of the Project shall be 5.17%.

2.03 Operating Expenses. Tenant agrees to pay as additional rent Tenant's pro rata share (as determined by the formula set forth in Section 2.02 above) of Landlord's Operating Expenses for the Project without deduction or set-off of any kind. Landlord may invoice Tenant monthly for Tenant's pro rata share of the estimated Operating Expenses for each calendar year, which amount shall be adjusted each year based upon anticipated Operating Expenses. Within three months following the close of each calendar year, Landlord shall provide Tenant an accounting showing in reasonable detail all computations of additional rent due under this section. In the event the accounting shows that the total of the monthly payments made by Tenant exceeds the amount of additional rent due by Tenant under this section, the accounting shall be accompanied by a refund. In the event the accounting shows that the total of the monthly payments made by Tenant is less than the amount of additional rent due by Tenant under this section, the accounting shall be accompanied by an invoice for the additional rent. Notwithstanding any other provision in this Lease, during the year in which the Lease terminates, Landlord, prior to the termination date, shall have the option to invoice Tenant for Tenant's pro rata share of the excess Operating Expenses based upon the previous year's Operating Expenses. If this Lease shall terminate on a day other than the last day of a calendar year, the amount of any additional rent payable by Tenant applicable to the year in which such termination shall occur shall be prorated on the ratio that the number of days from the commencement of the calendar year to and including the termination date bears to 365. Provided Tenant is not in default of any terms of this Lease, Tenant shall have the right, at its own expense, to audit Landlord's books relevant to the additional rent payable under this section and elsewhere in this Lease, including in Section 2.02 above. With respect to such audit, Tenant 1) may review Landlord's books during regular office hours, 2) must perform such audit at the location of Landlord's books, 3) must request such audit within ninety (90) days of receipt of its annual reconciliation of Operating Expenses, 4) must deliver to Landlord a copy of the results of such audit, 5) may not audit the same calendar year more than one time and 6) may only audit Landlord's books should Tenant's share of Operating Expenses increase from the previous calendar year. Assignees of Tenant may only audit periods for which they occupy the Leased Premises and subtenants of Tenant shall have no audit rights. Tenant agrees to pay any additional rent due under this section within ten days following receipt of the invoice or accounting showing additional rent due. If Tenant's audit reveals that Tenant overpaid any amount of Operating Expenses or other amounts due hereunder, then Landlord shall refund such overpayments within ten (10) days written notice from Tenant.

Notwithstanding anything herein to the contrary, the maximum amount payable by Tenant for Tenant's pro-rata share of Operating Expenses for the first twelve (12) months of the Term shall not exceed Three Dollars and 14/100 dollars (\$3.14) per square foot of the Leased Premises per annum. Commencing with the thirteenth (13) month of the Term, Tenant's share of Controllable Operating Expenses (defined as those expenses which are under Landlord's control e.g. not subject to market forces, weather conditions, governmental control) for the Building and / or Project shall not increase more than three percent (3%) percent per annum.

2.04 Definition of Operating Expenses. The term "Operating Expenses" includes all reasonable and necessary expenses incurred by Landlord with respect to the maintenance and operation of the Project, including, but not limited to, the following: maintenance, repair and replacement costs (but not any costs or expenses for repairs, replacements or alterations that are required to be capitalized for federal income tax purposes or pursuant to GAAP, unless otherwise permitted hereunder) necessary for the upkeep of the Project; security; management fees, wages and benefits payable to employees of Landlord whose duties are directly connected with the operation and maintenance of the Project; all services, utilities for common areas, supplies, repairs, replacements or other expenses for maintaining and operating the common parking and plaza areas; barrier removal, implementation and assessment plans; the cost, without interest, amortized over its useful life, of any capital improvement made to the Project by Landlord after the date of this Lease which is required under any governmental law or regulation that was not applicable to the Project at the time it was constructed; the cost without interest, amortized over its useful life, of installation of any device or other equipment which improves the operating efficiency of any system within the Leased Premises and thereby reduces Operating Expenses; all other expenses which would generally be regarded as operating and maintenance expenses which would reasonably be amortized over a period not to exceed five years. The term Operating Expenses does not include the following: income and franchise taxes of Landlord; expenses incurred in leasing to or procuring

of Tenants, leasing commissions, advertising expenses and expenses for the renovating of space for new Tenants; interest or principal payments on any mortgage or other indebtedness of Landlord; compensation paid to any employee of Landlord other than maintenance and property management personnel directly associated with the operation and maintenance of the Project; any depreciation allowance or expense (except for depreciation of capital improvements and equipment specifically included within the definition of Operating Expenses); or Operating Expenses which are the responsibility of Tenant.

2.05 Late Payment Charge. Other remedies for nonpayment of rent notwithstanding, if the monthly rental payment is not received by Landlord on or before the tenth day of the month for which the rent is due, or if any other payment due Landlord by Tenant is not received by Landlord on or before the tenth day of the month next following the month in which Tenant was invoiced, a late payment charge of five percent of such past due amount shall become due and payable in addition to such amounts owed under this Lease. In addition, Landlord shall be entitled to charge one-hundred dollars (\$100.00) for each check or payment which is not honored by Tenant's bank. Said charge to be in addition to any other amounts owed under this Lease.

2.06 Increase in Insurance Premiums. If an increase in any premiums for any insurance required to be obtained by Landlord hereunder, that is paid by Landlord for the Project is caused by Tenant's specific use of the Leased Premises in a manner other than as set forth in section 1.06 or 3.01, or if Tenant vacates the Leased Premises and causes an increase in such premiums, then Tenant shall pay as additional rent the amount of such increase to Landlord. Such amount shall be payable to Landlord within thirty (30) days of notice to Tenant of the amount of such increase.

2.07 Security Deposit. The security deposit set forth above shall be held by Landlord for the performance of Tenant's covenants and obligations under this Lease, it being expressly understood that the deposit shall not be considered an advance payment of rental or a measure of Landlord's damage in case of default by Tenant. Upon the occurrence of any event of default by Tenant or breach by Tenant of Tenant's covenants under this Lease, Landlord may, from time to time, without prejudice to any other remedy, use the security deposit to the extent necessary to make good any arrears of rent, or to repair any damage or injury, or pay any expense or liability incurred by Landlord as a result of the event of default or breach of covenant, and any remaining balance of the security deposit shall be returned by Landlord to Tenant within a reasonable period of time following termination of this Lease. If any portion of the security deposit is so used or applied, Tenant shall upon ten days written notice from Landlord, deposit with Landlord by cash or cashier's check an amount sufficient to restore the security deposit to its original amount. See Section 16.05 below.

2.08 Holding Over. In no event may Tenant remain in the Leased Premises following the expiration or termination of this Lease without Landlord's prior written consent. In the event that Tenant does not vacate the Leased Premises upon the expiration or termination of this Lease, Tenant shall be a tenant at will for the holdover period and all of the terms and provisions of this Lease shall be applicable during that period, except that Tenant shall pay Landlord as Base Rental for the period of such holdover an amount equal to 1.25 times the Base Rent being paid by Tenant immediately prior to the expiration or termination of the Lease. Tenant agrees to vacate and deliver the Leased Premises to Landlord immediately upon Tenant's receipt of notice from Landlord to vacate. Such notice shall be pursuant to the notice provisions of Section 14.07 herein or by facsimile transmission. The rental payable during the holdover period shall be payable to Landlord on demand. No holding over by Tenant, whether with or without the consent of Landlord and notwithstanding receipt by Tenant of an invoice from Landlord for holdover rent, shall operate to extend the term of this Lease.

ARTICLE 3.00 OCCUPANCY AND USE

3.01 Use. Tenant warrants and represents to Landlord that the Leased Premises shall be used and occupied only for the purpose as set forth in section 1.06. Tenant shall occupy the Leased Premises, conduct its business and control its agents, employees, invitees and visitors in such a manner as is lawful, reputable and will not create a nuisance. Tenant shall not permit any operation which emits any odor or matter which intrudes into other portions of the Building or Project, attracts rodents, use any apparatus or machine which makes undue noise or causes vibration in any portion of the Building or Project or otherwise interfere with, annoy or disturb any other Tenant in its normal business operations or Landlord in its management of the Project. Tenant shall neither permit any waste on the Leased Premises nor allow the Leased Premises to be used in any way which would, in the opinion of Landlord, be extra hazardous on account of fire or which would in any way increase or render void the fire insurance on the Project. If at any time during the term of this Lease the State Board of Insurance or other insurance authority disallows any of Landlord's sprinkler credits or imposes an additional penalty or surcharge in Landlord's insurance premiums because of Tenant's original or subsequent placement or use of storage racks or bins, method of storage or nature of Tenant's inventory or any other act of Tenant, Tenant agrees to pay as additional rent the increase in Landlord's insurance premiums. Notwithstanding anything set forth in this section 3.01, in no way does Landlord warrant or represent, either expressly or impliedly, that Tenant's use of the Leased Premises is in accordance with applicable codes or ordinances of the municipality within which the Project is located.

3.02 Signs. No sign of any type or description shall be erected, placed or painted in or about the Leased Premises or Project, including those advertising the Leased Premises for sublease, except those signs submitted to Landlord in writing and approved by Landlord in writing (which approval shall not be unreasonably withheld), and which signs are at Tenant's sole expense and are in conformance with Landlord's sign criteria established for the Project. Such permitted signs shall be removed by Tenant in accordance with the conditions allowing their erection or upon expiration or termination of the Lease at Tenant's sole cost and expense.

3.03 Compliance with Laws, Rules and Regulations. Tenant, at Tenant's sole cost and expense, shall comply with all laws, ordinances, orders, rules and regulations now in effect or enacted subsequent to the date hereof of state,

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federal, municipal or other agencies or bodies having jurisdiction over Tenant or Tenant's specific use, condition and occupancy of the Leased Premises. Landlord, at Landlord's sole cost and expense, shall comply with all laws, ordinances, orders, rules and regulations now in effect or enacted subsequent to the date hereof of state, federal, municipal or other agencies or bodies having jurisdiction over Landlord and/the Project. Tenant will comply with the rules and regulations of the Project adopted by Landlord which are set forth on a schedule attached to this Lease. Landlord shall have the right, upon no less than thirty (30) days' written notice to Tenant, at all times to change and amend the rules and regulations in any reasonable manner as may be deemed advisable for the safety, care, cleanliness, preservation of good order and operation or use of the Project or the Leased Premises, however, all such rules shall be enforced consistently among all occupants of the Project, and no alterations of the rules shall interfere with Tenant's use and/or occupancy of the Leased Premises. All changes and amendments to the rules and regulations other Project will be sent by Landlord to Tenant in writing and shall thereafter be carried out and observed by Tenant. Landlord hereby represents and warrants to Tenant that the Premises is, and during the entire Term will be, in material compliance with all applicable codes, laws, regulations and ordinances of all Federal, state, county and municipal authorities including Title III of the Americans With Disabilities Act of 1990 and any regulations promulgated thereunder

3.04 Warranty of Possession. Landlord warrants that it has the right and authority to execute this Lease, and Tenant, upon payment of the required rents and subject to the terms, conditions, covenants and agreements contained in this Lease, shall have possession of the Leased Premises during the full term of this Lease as well as any extension or renewal thereof. Landlord shall not be responsible for the acts or omissions of any other Tenant or third party that may interfere with Tenant's use and enjoyment of the Leased Premises. Unless Tenant commits a monetary default (beyond any applicable notice or cure period), then at all times during the term of this Lease, Tenant shall have peaceful and quiet enjoyment of the Leased Premises against any person claiming by, through or under Landlord.

3.05 Inspection. Landlord or its authorized agents shall at any and all reasonable times during normal business hours, and upon no less than 48 hours' notice to Tenant, and in the presence of Tenant's representative, have the right to enter the Leased Premises to inspect the same, conduct non-invasive tests, environmental audits or other procedures to determine Tenant's compliance with the terms hereof; to supply any other service to be provided by Landlord; to show the Leased Premises to prospective purchasers, tenants (during the last 60 days of the term of this Lease) or mortgagees; to alter, improve or repair the Leased Premises (which alterations, improvements or repairs shall not materially interfere with Tenant's use or occupancy of the Leased Premises) or any other portion of the Project or for any other purpose Landlord deems necessary. Tenant shall not change Landlord's lock system or in any other manner prohibit Landlord from entering the Leased Premises, without giving Landlord access to the Leased Premises. Landlord shall have the right to use any and all means which Landlord may deem proper to open any door in an emergency without liability therefore. During the final one-hundred eighty days of the Lease term, Landlord or its authorized agents shall have the right to erect or maintain on or about the Leased Premises or the Project customary signs advertising the Leased Premises for lease or sale. Landlord shall use its best efforts to avoid interfering with Tenant's use of the Leased Premises during any such entry. Landlord acknowledges that Tenant intends the Leased Premises to be used as a medical clinic serving various patients, and that the Leased Premises shall contain Medical Records (hereinafter defined) owned by such patients, and that such Medical Records must remain confidential. Accordingly, in no event shall Landlord obtain any ownership interest or block access to any Medical Records and if any Landlord or Landlord's affiliate enters the Leased Premises for any reason, Landlord or Landlord's affiliate shall not review, disclose, use, distribute, or destroy any of the Medical Records. As used herein, the term "Medical Records" shall mean and include, without limitation, patient files and materials owned by such patients, and/or any other confidential information or information protected by the Health Insurance Portability and Accountability Act (HIPAA) or similar federal/state law, whether stored electronically or on paper, which Medical Records shall at all times remain the property of the Tenant or the respective patient(s) of the Tenant, as the case may be.

3.06 Hazardous Waste. The term "Hazardous Substances," as used in this Lease shall mean pollutants, contaminants, toxic or hazardous wastes, or any other substances, the use and/or the removal of which is required or the use of which is regulated, restricted, prohibited or penalized by any "Environmental Law," which term shall mean any federal, state or local law, ordinance or other statute of a governmental or quasi-governmental authority relating to pollution or protection of the environment. Tenant hereby agrees that (i) no activity will be conducted on the Leased Premises that will produce any Hazardous Substance, except for such activities that are part of the ordinary course of Tenant's business activities (the "Permitted Activities"), provided said Permitted Activities are conducted in accordance with all Environmental Laws and have been approved in advance in writing by Landlord; Tenant shall be responsible for obtaining any required permits and paying any fees and providing any testing required by any governmental agency related to its use of any Hazardous Substances on the Leased Premises; (ii) the Leased Premises will not be used in any manner for the storage of any Hazardous Substances except for the temporary storage of such materials that are used in the ordinary course of Tenant's business (the "Permitted Materials") provided such Permitted Materials are properly stored in a manner and location meeting all Environmental Laws and approved in advance in writing by Landlord, Tenant shall be responsible for obtaining any required permits and paying any fees related to its use of any Hazardous Substances on the Leased Premises and providing any testing required by any governmental agency related to its use of any Hazardous Substances on the Leased Premises; (iii) no portion of the Leased Premises will be used as a landfill or a dump; (iv) Tenant will not install any underground or above ground tanks of any type; (v) Tenant will not allow any surface or subsurface conditions to exist or come into existence that constitute, or with the passage of time may constitute a public or private nuisance; (vi) Tenant will not permit any Hazardous Substances to be brought onto the Leased Premises, except for the Permitted Materials described below, and if so brought or found located thereon, the same shall be immediately removed, with proper disposal, and all required cleanup procedures shall be diligently undertaken pursuant to all Environmental Laws. Landlord or Landlord's representative shall have the right but not the obligation to enter the Leased Premises for the purpose of inspecting the storage, use and disposal of Permitted Materials to ensure compliance with all Environmental Laws. Should it be determined, in Landlord's sole opinion, that said Permitted Materials are being improperly stored, used, or disposed of, then Tenant shall immediately take such corrective action as requested by Landlord. Should Tenant fail to take such corrective action within twenty-four (24) hours, Landlord shall have the right to perform such work

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and Tenant shall promptly reimburse Landlord for any and all costs associated with said work. If at any time during or after the term of the Lease, the Leased Premises are found to be so contaminated or subject to said conditions, Tenant shall diligently institute proper and thorough cleanup procedures at Tenant's sole cost. Before taking any action to comply with Environmental Laws or to clean up Hazardous Substances contaminating the Leased Premises, which Hazardous Substances were released by Tenant, Tenant shall submit to Landlord a plan of action, including any and all plans and documents required by any Environmental Law to be submitted to a governmental authority (collectively a "plan of action"). Before Tenant begins the actions necessary to comply with Environmental Laws or to clean up contamination from Hazardous Substances, Landlord shall have (1) approved the nature, scope and timing of the plan of action, and (2) approved any and all covenants and agreements to effect the plan of action. Tenant agrees to indemnify and hold Landlord harmless from all claims, demands, actions, liabilities, costs, expenses, damages and obligations of any nature arising from or as a result of the use of the Leased Premises by Tenant. The foregoing indemnification and the responsibilities of Tenant shall survive the termination or expiration of this Lease for six months. Landlord represents and warrants to Tenant that as of the Commencement Date, the Leased Premises and Building are in compliance with all applicable Environmental Laws and neither the Leased Premises nor the Building is being monitored or remediated at the request of any government agency due to current or prior non compliance with Environmental Laws. Notwithstanding anything herein to the contrary, Tenant shall not be liable for any claims, demands, actions, liabilities, costs, expenses, damages and/or obligations of any nature arising from any Hazardous Substances' contamination pre-existing in the Leased Premises prior to the earlier of either (i) Tenant's access to the Premises, or (ii) the Commencement Date, or other-wise caused by any third parties (collectively, "Pre-Existing Contamination"). Landlord and its successors and assigns shall indemnify, protect, defend and hold Tenant, its partners, officers, directors, shareholders, employees, agents, lenders, contractors and each of their respective successors and assigns harmless from any and all claims, judgments, damages, penalties, enforcement actions, taxes, fines, remedial actions, liabilities, losses, costs and expenses (including, without limitation, actual attorneys' fees, litigation, arbitration and administrative proceeding costs, expert and consultant fees and laboratory costs) including, without limitation any sums paid in settlement of claims, which arise during or after the Term either in whole or in part as a result of the presence of any Hazardous Materials, in, on, under, from or about the Leased Premises or the Building and/or other adjacent properties that occurred prior to the Term.

3.07 Parking and Road Use. Tenant is hereby granted the right to use, for the benefit of Tenant, its employees, customers, invitees and licensees the parking areas adjacent to the Building as depicted on Exhibit ____ on a non-exclusive basis subject to the terms herein. All parking on any common drive areas by Tenant or any of Tenant's employees, customers, invitees or licensees shall be upon the express condition that all such drives must be kept clear for through traffic of all vehicles, including tractor-trailers. No driving or parking of any vehicles on non-paved areas adjoining the Building or within the Project is permitted.

During the term of this Lease, Tenant shall have, without charge, the non-exclusive right to use, in common with Landlord, other tenants of the Building, and their respective guests and invitees, the automobile parking areas, driveways, and footways located within the Project. Tenant will have exclusive use of ten (10) parking spaces in front of the Leased Premises. Landlord shall mark said spaces as reserved for Tenant's use, and Landlord shall use its best efforts to prohibit unauthorized users from parking in such spaces. However, Tenant specifically acknowledges that Landlord does not have the ability to prevent unauthorized use of said spaces.

3.08 Certificate of Occupancy. Upon the Commencement Date of the Lease, Tenant shall (i) obtain an Occupancy Checklist with respect to any initial work or improvements performed by Tenant, posted at the Leased Premises which will have been approved by the municipality in which the Leased Premises are located, and (ii) deliver a copy of the Certificate of Occupancy upon receipt from such municipality. Prior to delivery of the Leased Premises to Tenant, Landlord shall obtain any and all necessary Certificates of Occupancy for the Leased Premises.

ARTICLE 4.00 UTILITIES AND SERVICE

4.01 Building Services. Landlord shall provide the gas, electric, water, sanitary and storm sewer, sprinkler, and telephone utility service connections to the Leased Premises. Tenant shall pay directly to the appropriate supplier the cost of all utility services used at the Leased Premises, including, but not limited to, security deposits, initial connection charges, all charges for gas, electricity, telephone, water, sprinkler monitoring devices, sanitary and storm sewer service and for all electric lights and security systems. If any services are jointly metered with other premises or property, Landlord shall make a reasonable determination of Tenant's proportionate share of the cost of such services and Tenant shall pay such share to Landlord within ten (10) days of receipt of any invoice thereof in a multi-occupancy Project, Landlord may provide water to the Leased Premises, in which case Tenant agrees to pay to Landlord its pro rata share of the cost of such water. Tenant shall pay all costs caused by Tenant introducing excessive pollutants or solids other than ordinary human waste into the sanitary sewer system, including permits, fees and charges levied by any governmental subdivision for any such pollutants or solids. Tenant shall be responsible for the installation and maintenance of any dilution tanks, holding tanks, settling tanks, sewer sampling devices, sand traps, grease traps or similar devices as may be required by any governmental subdivision for Tenant's use of the sanitary sewer system. Tenant shall pay all surcharges levied due to Tenant's use of sanitary sewer or waste removal services insofar as such surcharges affect Landlord or other Tenants in the Project. Except as set forth herein, Landlord shall not be required to pay for any utility services, supplies or upkeep in connection with the Leased Premises. Cessation of any of these defined services shall not render Landlord liable in any respect for damages to either person or property, be construed as an eviction of Tenant, however, if any such services shall cease to be made available at the Leased Premises for more than three (3) consecutive days, then all Base Rent, Additional Rent, and other charges hereunder shall abate until such time as such utility service(s) are fully restored to the Leased Premises.

4.02 Theft or Burglary. Landlord shall not be liable to Tenant for losses to Tenant's property or personal injury caused by criminal acts or entry by unauthorized persons into the Leased Premises or the Project. Subject to the waiver of subrogation hereunder, Tenant shall be responsible for repairs of damage and restoration of the Leased Premises following any such act.

ARTICLE 5.00 REPAIRS AND MAINTENANCE

5.01 Existing Conditions. Except as set forth herein, Tenant accepts the Leased Premises in its present as-is condition as of the date hereof, subject to all recorded matters, laws, ordinances, and governmental regulations and orders. Except as set forth herein, Tenant acknowledges that neither Landlord nor any agent of Landlord has made any warranty or representation of any kind, either express or implied as to the condition of the Leased Premises or the suitability of the Leased Premises for Tenant's intended use. Except as set forth herein, The taking of the possession of the Leased Premises by Tenant shall be conclusive evidence, as against Tenant, that Tenant accepts the Leased Premises and that the Leased Premises were in good and satisfactory condition at the time such possession was so taken. Prior to taking occupancy of the Leased Premises, Tenant shall sign a copy of the space plan of the Leased Premises acknowledging its condition on the date thereof (unless Landlord waives such requirement) and execute Landlord's Standard Tenant Acceptance of Premises form accepting such condition. Landlord represents and warrants to Tenant that Landlord has not received any written notice of any violations which remain uncured with respect to any defective condition, structural or otherwise, with respect to the Leased Premises; and Landlord represents and warrants that, upon the Commencement Date and continuing through the remainder of the term of this Lease, the heating, ventilating and air conditioning equipment and systems, plumbing system, sprinkler system, electrical system, fire suppression and alarm systems, the roof and roof membrane, and all other fixtures, equipment and systems at or serving the Leased Premises (except for those fixtures, equipment or systems brought onto the Leased Premises by Tenant) are in good condition, repair and working order, subject to Tenant's specific maintenance obligations hereunder.

5.02 Landlord Repairs and Maintenance. Landlord shall not be required to make any improvements, replacements or repairs of any kind or character to the Leased Premises or the Project during the term of this Lease except as are set forth in this section. Landlord shall maintain only the roof, foundation, parking and common areas not the responsibility of Tenant, downspouts, fire sprinkler system, dock bumpers, landscaping, lawn maintenance, lawn sprinkler systems, parking lot striping and painting, painting the Project and exterior doors and the structural soundness of the exterior walls (excluding windows, window glass, plate glass, doors and surfaces of walls). Landlord's cost of maintaining the structural components of the roof, foundation, and structural soundness of the exterior walls (excluding windows, window glass, plate glass, doors and surfaces of walls) are not subject to the additional rent provisions in section 2.03. Landlord's costs of maintaining the other items set forth in this section are subject to the additional rent provisions in section 2.03. Landlord shall not be liable to Tenant, except as expressly provided in this Lease, for any damage or inconvenience, and Tenant shall not be entitled to any abatement or reduction of rent by reason of any repairs, alterations or additions made by Landlord under this Lease. Nothing contained herein shall entitle Tenant to make any repairs, alterations or additions to the Leased Premises at Landlord's expense or to terminate the Lease based on the physical condition of the Leased Premises.

5.03 Tenant Repairs and Maintenance. Tenant shall, at its sole cost and expense, maintain, repair and replace all other parts of the Leased Premises in good repair and condition, including, but not limited to heating, ventilating and air conditioning systems, levelers, lights, truck and rail doors, pest control and extermination, trash pick-up and removal and snow removal. Notwithstanding anything herein to the contrary, in no event shall Tenant be obligated to incur any costs or expenses for repairs, replacements or alterations that are required to be capitalized for federal income tax purposes or pursuant to GAAP. Tenant shall repair and pay for any damage caused by any act or omission of Tenant or Tenant's agents, employees, invitees, licensees or visitors. If the Leased Premises are in a multi-occupancy Project, Landlord reserves the right to perform, on behalf of Tenant, trash pick-up and removal and snow removal; Tenant agrees to pay Landlord, as additional rent, Tenant's pro rata share of the actual and reasonable cost of such services within thirty days from receipt of Landlord's invoice, or Landlord may by monthly invoice direct Tenant to prepay the estimated costs for the current calendar year, and such amount shall be adjusted annually. If the Leased Premises are served by rail, Tenant agrees, if requested by the railroad, to enter into a joint maintenance agreement with the railroad and bear its pro rata share of the cost of maintaining the railroad spur track. If Tenant fails to make the repairs or replacements promptly as required herein, Landlord may, at its option, make the repairs and replacements and the cost of such repairs and replacements shall be charged to Tenant as additional rent and shall become due and payable by Tenant within ten days from receipt of Landlord's invoice. Costs incurred under this section are the total responsibility of Tenant and do not constitute Operating Expenses under section 2.03.

5.04 Request for Repairs. All requests for repairs or maintenance that are the responsibility of Landlord pursuant to any provision of this Lease must be made in writing to Landlord at the address in section 1.05 and delivered pursuant to section 14.07. **Notices sent by facsimile transmission shall not be considered proper notice for purposes hereof.** After receipt of written notice, Landlord shall have a reasonable time within which to perform such repairs or maintenance.

5.05 Tenant Damages. Except for ordinary wear and tear, damage due to casualty, condemnation, or arising out of Landlord's failure to perform its obligations hereunder, Tenant shall not allow any damage to be committed on any portion of the Leased Premises or Project, and at the termination of this Lease, by lapse of time or otherwise, Tenant shall deliver the Leased Premises to Landlord in as good condition as existed at the Commencement Date of this Lease, ordinary wear and tear excepted. Landlord's standard move-out checklist shall be followed by Tenant to ensure compliance with this provision. The cost and expense of any repairs necessary to restore the condition of the Leased Premises shall be borne by Tenant. Should Landlord be required to expend any sums to ensure compliance with this Section 5.05, Tenant shall reimburse Landlord within ten (10) days of receipt of notice from Landlord.

5.06 Telecommunications Equipment. Upon expiration or termination of this Lease, Landlord may elect to have Tenant, at Tenant's sole cost, remove all telecommunications equipment and other facilities for telecommunications transmittal (including wiring) installed in the Leased Premises or in the Building for Tenant's use.

5.07 Maintenance Contract. Tenant shall, at its sole cost and expense, during the term of this Lease, maintain a regularly scheduled preventive maintenance/service contract on an annual basis with a maintenance contractor for the servicing of all sprinkler systems, hot water, heating and air conditioning systems and equipment within or servicing the Leased Premises. Prior to Tenant entering into such contract, Tenant shall submit to Landlord for its approval (which approval shall not be unreasonably withheld) the name of the contractor and the services included as suggested by contractor and as outlined in Exhibit "B" attached hereto, within ten (10) days following Commencement Date. A copy of the service contract shall be provided to Landlord within thirty (30) days following the Commencement Date. In the event the service contract is not provided, then Landlord (i) shall have the right to select the contractor with whom Tenant shall enter into such contract and (ii) shall have the right, but not the obligation to have the work done and the cost therefore shall be charged to Tenant as additional rent and shall become payable by Tenant with the payment of the rent next due hereunder.

ARTICLE 6.00 ALTERATIONS AND IMPROVEMENTS

6.01 Landlord Improvements. On or before the Commencement Date, Landlord will complete the construction of the improvements to the Leased Premises, in accordance with plans and specifications agreed to by Landlord and Tenant, which plans and specifications are made a part of this Lease by reference and attached hereto as Exhibit "A". Tenant shall execute a copy of the plans and specifications and change orders, if applicable, setting forth the amount of any costs to be borne by Tenant within seven days of receipt of the plans and specifications. In the event Tenant fails to execute the plans and specifications and change orders if applicable, within the seven day period, Landlord may, at its sole option, declare this Lease canceled or notify Tenant that the Base Rent shall commence on the Commencement Date specifically set forth in section 1.03 even though the improvements to be constructed by Landlord may not be complete. Any changes or modifications to the approved plans and specifications shall be made and accepted by written change order or agreement signed by Landlord and Tenant and shall constitute an amendment to this Lease. Any improvements made by Landlord shall at once become the property of Landlord and shall be surrendered to Landlord upon the termination of this Lease without credit to Tenant. If required by Landlord, a construction addendum, entitled Construction by Landlord, shall be attached to and made a part of this Lease detailing Landlord's construction obligations herein. Upon completion of any such work, Landlord shall provide and Tenant shall acknowledge receipt and acceptance of "as built plans" of all work done in accordance with this Section 6.01.

6.02 Tenant Improvements. Tenant shall not make or allow to be made any alterations or physical additions in or to the Leased Premises without complying with all local, state and federal ordinances, laws, statutes and without first obtaining the written consent of Landlord, which consent may in the sole and absolute discretion of Landlord be denied. Any alterations, physical additions or improvements to the Leased Premises made by Tenant shall at once become the property of Landlord and shall be surrendered to Landlord upon the termination of this Lease without credit to Tenant; provided, however, Landlord, at its option, may require Tenant to remove any physical additions and/or repair any alterations in order to restore the Leased Premises to the condition existing at the time Tenant took possession, all costs of removal and/or alterations to be borne by Tenant. This clause shall not apply to moveable equipment or furniture owned by Tenant, which may be removed by Tenant at the end of the term of this Lease if Tenant is not then in default, if such equipment and furniture are not then subject to any other rights, liens and interest of Landlord and such removal can be accomplished without material damage to the Leased Premises. Upon completion of any such work by Tenant, Tenant shall provide Landlord with "as built plans", copies of all construction contracts and proof of payment for all labor and materials. To defray Landlord's costs associated with the approval and oversight of any alterations or physical additions in or to the Leased Premises that may be allowed by Landlord after the construction of the initial leasehold improvements to the Leased Premises and to confirm that such alterations or physical additions are in accordance with the terms of this Lease and comply with all applicable codes and ordinances, Tenant shall pay to Landlord or Landlord's manager as the case may be, a construction management fee equal to ten percent (10%) of the cost of such improvements. Such fee shall be paid one-half prior to commencement of such improvements and one-half upon completion thereof.

6.03 Mechanics Lien. Tenant will not permit any mechanic's or material men's lien(s) or other lien to be placed upon the Leased Premises or the Project and nothing in the Lease shall be deemed or construed in any way as constituting the consent or request of Landlord, express or implied, by inference or otherwise, to any person for the performance of any labor or the furnishing of any materials to the Leased Premises, or any part that would give the rise to any mechanic's or material man's or other lien against the Leased Premises. In the event any such lien is attached to the Leased Premises, then, in addition to any other right or remedy of Landlord, Landlord may, but shall not be obligated to, obtain the release or otherwise discharge the same. Any amount paid by Landlord for any of the aforesaid purposes shall be paid by Tenant to Landlord on demand as additional rent.

ARTICLE 7.00 CASUALTY AND INSURANCE

7.01 Substantial Destruction. If the Leased Premises should be totally destroyed by fire or other casualty, or if the Leased Premises should be damaged so that rebuilding cannot reasonably be completed within one ninety (90) days after the date of written notification by Tenant to Landlord of the destruction, or if the Leased Premises are part of a Building or Project which is substantially destroyed (even though the Leased Premises are not totally or substantially destroyed) this Lease shall terminate and the rent shall be abated for the unexpired portion of the Lease, effective as of the date of the written notification.

7.02 Partial Destruction. If the Leased Premises should be partially damaged by fire or other casualty, and rebuilding or repairs can reasonably be completed within one ninety (90) days from the date of written notification by Tenant to Landlord of the destruction, this Lease shall not terminate, and Landlord shall at its sole risk and expense proceed with reasonable diligence to rebuild or repair the Building or other improvements to substantially the same condition in which they existed prior to the damage, provided, Landlord shall have no obligation to repair or rebuild

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Tenant's furniture, fixtures or personal property. In the event that Landlord fails to complete the necessary repairs or rebuilding within ninety (90) days from the date of written notification by Tenant to Landlord of the destruction, Tenant may at its option terminate this Lease by delivering written notice of termination to Landlord, whereupon all rights and obligations under this Lease shall cease to exist. If any damage or destruction occurs to the Leased Premises during the last twenty-four (24) months of the Lease term, either Tenant or Landlord may elect to terminate this Lease as of the date Tenant notifies Landlord of such damage.

7.03 Property Insurance. Landlord shall at all times during the term of this Lease maintain a policy or policies of insurance with the premiums paid in advance, issued by and binding upon some solvent insurance company, insuring the Project against all risk of direct physical loss in an amount equal to at least ninety percent of the full replacement cost of the Project structure and its improvements as of the date of the loss; provided, Landlord shall not be obligated in any way or manner to insure any personal property (including, but not limited to, any furniture, machinery, goods or supplies) of Tenant upon or within the Leased Premises, any fixtures installed or paid for by Tenant upon or within the Leased Premises, or any improvements which Tenant may construct on the Leased Premises. Tenant shall have no right in or claim to the proceeds of any policy of insurance maintained by Landlord even if the cost of such insurance is borne by Tenant as set forth in Article 2.00.

7.04 Waiver of Subrogation. Anything in this Lease to the contrary notwithstanding, Landlord and Tenant hereby waive and release each other of and from any and all right of recovery, claim, action or cause of action, against each other, their agents, officers and employees, for any loss or damage that may occur to the Leased Premises, improvements to the Project, or personal property within the Project, by reason of fire, explosion, or any other occurrence, regardless of cause or origin, including negligence of Landlord or Tenant and their agents, officers and employees. Landlord and Tenant agree immediately to give their respective insurance companies which have issued policies of insurance covering all risk of direct physical loss, written notice of the terms of the mutual waivers contained in this section and to have the insurance policies properly endorsed, if necessary, to prevent the invalidation of the insurance coverages by reason of the mutual waivers.

7.05 Hold Harmless. Landlord shall not be liable to Tenant's employees, agents, invitees, licensees or visitors, or to any other person, for an injury to person or damage to property on or about the Leased Premises caused by any act or omission of Tenant, its agents, servants or employees, any tenant in the Project, or of any other person entering upon the Leased Premises under express or implied invitation by Tenant, or caused by the improvements located on the Leased Premises becoming out of repair, the failure or cessation of any service provided by Landlord (including security service and devices), or caused by leakage of gas, oil, water or steam or by electricity emanating from the Leased Premises. Tenant agrees to indemnify and hold harmless Landlord of and from any loss, attorney's fees, expenses or claims arising out of any such damage or injury. Tenant shall not be liable to Landlord's employees, agents, invitees, licensees or visitors, or to any other person, for an injury to person or damage to property on or about the Leased Premises caused by any act or omission of Landlord, its agents, servants or employees, any tenant in the Project, or of any other person entering upon the Leased Premises under express or implied invitation by Landlord, or caused by the improvements located on the Leased Premises becoming out of repair, the failure or cessation of any service provided by Tenant (including security service and devices), or caused by leakage of gas, oil, water or steam or by electricity emanating from the Leased Premises. Landlord agrees to indemnify and hold harmless Tenant of and from any loss, attorney's fees, expenses or claims arising out of any such damage or injury.

7.06 Liability Insurance. Tenant shall at its sole expense, maintain at all times during the term of this lease public liability insurance with respect to the Leased Premises and the conduct or operation of Tenant's business therein, naming Landlord and such other parties designated by Landlord, as an additional insured, with limits of not less than \$2,000,000.00 for death or bodily injury to any one or more persons in a single occurrence and \$500,000.00 for property damage. Tenant shall deliver a certificate of such insurance to Landlord on or before the Commencement Date and thereafter on an annual basis or from time to time upon request.

ARTICLE 8.00 CONDEMNATION

8.01 Substantial Taking. If all or a substantial portion of the Leased Premises or a substantial portion of the Project (even though the Leased Premises are not taken) are taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain or by purchase in lieu thereof, and the taking would prevent or materially interfere with the use of the Leased Premises or the Project for the purpose for which it is then being used, then Landlord shall have the option to terminate this Lease and the rent shall be abated during the unexpired portion of this Lease effective on the date title or physical possession is taken by the condemning authority, whichever occurs first. Tenant shall have no claim to any condemnation award or proceeds in lieu thereof.

8.02 Partial Taking. If a portion of the Leased Premises or a portion of the Project shall be taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain or by purchase in lieu thereof, and this Lease is not terminated as provided in section 8.01 above, Landlord shall at Landlord's sole risk and expense, restore and reconstruct the Project and other improvements on the Leased Premises to the extent necessary to make it reasonably tenantable. The rent payable under this Lease during the unexpired portion of the term shall be adjusted to such an extent as maybe fair and reasonable under the circumstances. Tenant shall have no claim to any condemnation award or proceeds in lieu thereof.

ARTICLE 9.00 ASSIGNMENT OR SUBLEASE

9.01 Landlord Assignment. Landlord shall have the right to sell, transfer or assign, in whole or in part, its rights and obligations under this Lease and in the Leased Premises. Any such sale, transfer or assignment shall operate to

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release Landlord from any and all liabilities under this Lease arising after the date of such sale, assignment or transfer.

9.02 Tenant Assignment. Tenant shall not assign, in whole or in part, this Lease, or allow it to be assigned, in whole or in part, by operation of law or otherwise or mortgage or pledge the same or sublet the Leased Premises, in whole or in part, without the prior written consent of Landlord which consent may not be unreasonably withheld, and in no event shall any such assignment or sublease ever release Tenant or any guarantor from any obligation or liability hereunder. No assignee or subtenant of the Leased Premises or any portion thereof may assign or sublet the Leased Premises or any portion thereof. Notwithstanding anything to the contrary contained in this Lease, if the proposed subtenant or assignee is any entity which controls, is controlled by or is under common control with Tenant, or is any entity resulting from the merger or consolidation of Tenant, or is any person or entity which acquires assets of Tenant as a going concern of the business that is being conducted on the Premises (a "Permitted Transferee"), then Tenant may assign or sublet the Premises or any portion thereof to a Permitted Transferee without the prior written consent of Landlord (a "Permitted Transfer"). In the event that Tenant transfers all or part of its interest in this Lease under this Section 9.02 to any entity in which or with which Tenant or its corporate successors or assigns, is merged or consolidated, in accordance with applicable statutory provisions covering merger and consolidation of entities, then Tenant's obligations under this Lease must be assumed by the entity surviving such merger or created by such consolidation. For purposes of this section, "control" shall be deemed to mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of Tenant or any such corporation or entity as the case may be, whether through the ownership of voting securities, by contract, or otherwise.

9.03 Conditions of Assignment. If Tenant desires to assign or sublet all or any part of the Leased Premises, it shall so notify Landlord at least thirty (30) days in advance of the date, on which Tenant desires to make such assignment or sublease. Except for a Permitted Transfer, Tenant shall provide Landlord with a copy of the proposed assignment or sublease and such information as Landlord might request concerning the proposed subtenant or assignee to allow Landlord to make informed judgments as to the financial condition, reputation, operations and general desirability of the proposed subtenant or assignee. Within fifteen (15) days after Landlord's receipt of Tenant's proposed assignment or sublease and all required information concerning the proposed subtenant or assignee, Landlord shall have the following options: (1) consent to the proposed assignment or sublease, pursuant to a Consent Agreement on a form approved by Landlord in its sole discretion, and, if the rent due and payable by any assignee or subtenant under any such permitted assignment or sublease (or a combination of the rent payable under such assignment or sublease plus any bonus or any other consideration or any payment incident thereto) exceeds the rent payable under this Lease for such space, Tenant shall pay to Landlord all such excess rent and other excess consideration within ten days following receipt thereof by Tenant; or (2) refuse, in its sole and absolute discretion and judgment, to consent to the proposed assignment or sublease, which refusal shall be deemed to have been exercised unless Landlord gives Tenant written notice providing otherwise. Upon the occurrence of an event of default, if all or any part of the Leased Premises are then assigned or sublet, Landlord, in addition to any other remedies provided by this Lease or provided by law, may, at its option, collect directly from the assignee or subtenant all rents becoming due to Tenant by reason of the assignment or sublease, and Landlord shall have a security interest in all properties on the Leased Premises to secure payment of such sums. Any collection directly, by Landlord from the assignee or subtenant shall not be construed to constitute a novation or a release of Tenant or any guarantor from the further performance of its obligations under this Lease. As a condition to the review of any assignment or sublease, Tenant shall deliver to Landlord or Landlord's manager as the case may be, a non-refundable fee of Fifteen Hundred Dollars (\$1,500.00) to defray the administrative costs with respect thereto. In addition, all legal fees and expenses incurred by Landlord or its manager in connection with the review of Tenant's requested assignment or sublease together with any legal fees and disbursements incurred in the preparation and/or review of any documentation required by the requested assignment or sublease, shall be the responsibility of Tenant and shall be paid by Tenant within five (5) days of demand for payment thereof. The non-refundable fee and legal expenses incurred as described herein will be due and payable regardless of whether or not Landlord approves the assignment or sublease as requested by Tenant.

9.04 Subordination. Tenant accepts this Lease subject and subordinate to any recorded mortgage or deed of trust lien presently existing upon the Project and to all existing recorded restrictions, covenants, easements and agreements with respect to the Project and to any renewals thereof. Provided that Tenant is not in default of any of the covenants and conditions hereof Landlord shall use its best efforts to provide Tenant with a non-disturbance agreement ("Non-Disturbance Agreement") executed by all existing and, as and when applicable, future mortgagees or lessors, which Non-Disturbance Agreement shall be in form and substance satisfactory to Tenant and shall provide that this Lease shall be recognized by such mortgagees or lessors and the rights of Tenant as set forth herein shall remain in full force and effect during the Term of this Lease so long as Tenant shall continue to timely perform all the covenants and conditions of this Lease. No subordination of this Lease shall operate to modify the terms of this Lease with respect to the rights of the parties to any condemnation award or insurance proceeds. If the interests of Landlord under this Lease shall be transferred by reason of foreclosure or other proceedings for enforcement of any first mortgage or deed of trust lien on the Leased Premises, Tenant shall be bound to the transferee (sometimes called the "Purchaser") at the option of the Purchaser, under the terms, covenants and conditions of this Lease for the balance of the term remaining, including any extensions or renewals, with the same force and effect as if the Purchaser were Landlord under this Lease, and, if requested by the Purchaser, Tenant agrees to atom to the Purchaser, including the first mortgagee under any such mortgage if it be the Purchaser, as its Landlord. Should Purchaser elect to maintain existence of the Lease, Tenant shall not be credited as against Purchaser any prepaid rents or offsets against or credits due from Landlord.

9.05 Estoppel Certificates. Tenant agrees to furnish, from time to time, within fifteen (15) days after receipt of a request from Landlord, Landlord's mortgagee or any potential purchaser of the Project, a statement certifying, if applicable, the following: Tenant is in possession of the Leased Premises; the Leased Premises are acceptable; the Lease is in full force and effect; the Lease is unmodified; Tenant claims no present charge, lien, or claim of offset against rent; the rent is paid for the current month, but is not prepaid for more than one month and will not be prepaid for more than one month in advance; there is no existing default by reason of some act or omission by Landlord; and such other matters as may be reasonably required by Landlord, Landlord's mortgagee or any potential purchaser.

ARTICLE 10.00 LIENS


[Intentionally Omitted]

ARTICLE 11.00 DEFAULT AND REMEDIES

11.01 Default by Tenant. The following shall be deemed to be events of default by Tenant under this Lease:

- (a) Tenant shall fail to pay, when due any installment of rent or any other payment required pursuant to this Lease within five (5) days after written notice from Landlord;
- (b) Tenant shall vacate or abandon any substantial portion of the Leased Premises;
- (c) Tenant shall fail to comply with any term, provision or covenant of this Lease, other than the payment of rent, and such failure shall continue for thirty (30) days after written notice from Landlord, provided, however, if such failure cannot reasonably be cured within such thirty (30) day period, then, provided Tenant has commenced such cure and diligently pursues same to completion, then such failure shall not be an event of default;
- (d) Tenant or any guarantor of Tenant's obligations hereunder shall file a petition or be adjudged bankrupt or insolvent under any applicable federal or state bankruptcy or insolvency law, or admit that it cannot meet its financial obligations as they become due; or a receiver or trustee shall be appointed for all or substantially all of the assets of Tenant or such guarantor; or Tenant or any guarantor of Tenant's obligations hereunder shall make a transfer in fraud of creditors or shall make an assignment for the benefit of creditors; or
- (e) Tenant shall do or permit to be done any act which results in a lien being filed against the Leased Premises or the Project.

11.02 Remedies for Tenant's Default. Upon the occurrence of any event of default set forth in this Lease, Landlord shall have the option to pursue any one or more of the remedies set forth herein without any notice or demand.

- (1) Without declaring the Lease terminated, Landlord may terminate Tenant's possession of the Leased Premises upon five (5) days' written notice to Tenant and upon entering into and taking possession of the Leased Premises, by picking locks if necessary, expel or remove Tenant and any other person who may be occupying all or any part of the Leased Premises without being liable for any claim for damages, and relet the Leased Premises on behalf of Tenant and receive the rent directly by reason of the reletting. Tenant agrees to pay Landlord on demand any deficiency that may arise by reason of any reletting of the Leased Premises; further, Tenant agrees to reimburse Landlord for any expenditures made by it in order to relet the Leased Premises, including, but not limited to, leasing commissions, lease incentives (including free rent), remodeling and repair costs.
 - (2) Without declaring the Lease terminated, Landlord may upon five (5) days' written notice to Tenant enter upon the Leased Premises, by picking locks if necessary, without being liable for any claim for damages, and do whatever Tenant is obligated to do under the terms of this Lease. Tenant agrees to reimburse Landlord on demand for any expenses which Landlord may incur in effecting compliance with Tenant's obligations under this Lease; further, Tenant agrees that Landlord shall not be liable for any damages resulting to Tenant from effecting compliance with Tenant's obligations under this Lease caused by the negligence of Landlord or otherwise.
 - (3) Landlord may terminate this Lease, in which event Tenant shall immediately surrender the Leased Premises to Landlord, and if Tenant fails to surrender the Leased Premises, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Leased Premises, by picking locks if necessary, expel or remove Tenant and any other person who may be occupying all or any part of the Leased Premises without being liable for any claim for damages. Tenant agrees to pay on demand the amount of all loss and damage which Landlord may suffer by reason of the termination of this Lease under this section, including without limitation, loss and damage due to the failure of Tenant to maintain and or repair the Leased Premises as required hereunder and/or due to the inability to relet the Leased Premises on terms satisfactory to Landlord or otherwise, and any expenditures made by Landlord in order to relet the Leased Premises, including, but not limited to, leasing commissions, lease incentives (including free rent), and remodeling and repair costs. In addition, upon termination Landlord may collect from Tenant the value of all future rentals required to be paid under this Lease from the date Landlord terminates the Lease until the original termination date in accordance with applicable law. Notwithstanding anything contained in this Lease to the contrary, this Lease may be terminated by Landlord only by mailing or delivering written notice of such termination to Tenant, and no other act or omission of Landlord shall be construed as a termination of this Lease.
 - (4) In the event Landlord exercises any of its rights provided herein and Tenant subsequently cures such default, Landlord or Landlord's manager shall be entitled to receive a service charge of \$500.00 from Tenant for its time and expense, in addition to any other amounts owed hereunder (including attorney's fees), prior to allowing the Tenant to reenter and reoccupy the premises.
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- (5) Upon the occurrence of an event of default hereunder, Landlord shall use its best efforts to relet the Premises and to otherwise mitigate its damages.

11.03 Default by Landlord. Tenant shall give written notice of any failure by Landlord to perform any of its obligations under this Lease to Landlord and to any mortgagee or beneficiary under any deed of trust encumbering the Premises whose name and address have been previously furnished to Tenant in writing. Landlord shall not be in default under this Lease unless Landlord fails to cure such non-performance within thirty (30) days after written notice by Tenant. Should Landlord be in default of its obligations under this Lease, in addition to all other remedies available to Tenant under this Lease or at law or equity, Tenant may (but shall not be obligated to) perform the obligations of Landlord and the reasonable costs thereof shall be payable from Landlord to Tenant upon demand. If Landlord fails to reimburse Tenant on demand for the reasonable costs of performing Landlord's obligations, or if Landlord fails to pay Tenant any amounts due hereunder, within fifteen (15) days after Tenant gives Landlord written notice of such past due amount, then Tenant may in either of such events deduct any such amounts owing from Landlord from rents due or to become due to Landlord under this Lease.

ARTICLE 12.00 RELOCATION

[Intentionally Deleted]

ARTICLE 13.00 DEFINITIONS

13.01 Abandon. "Abandon" means the vacating of all or a substantial portion of the Leased Premises by Tenant or any approved subtenant, whether or not Tenant or any approved subtenant is in default of the rental payments due under this Lease.

13.02 Act of God or Force Majeure. An "act of God" or "force Majeure" is defined for purposes of this Lease as strikes, lockouts, sitdowns, material or labor restrictions by any governmental authority, unusual transportation delays, riots, floods, washouts, explosions, earthquakes, fire, storms, weather (including wet grounds or inclement weather which prevents construction), acts of the public enemy, wars, insurrections and any other cause not reasonably within the control of Landlord and which by the exercise of due diligence Landlord is unable, wholly or in part, to prevent or overcome.

13.03 Building or Project. "Project" as used in this Lease means the project described in section 1.02, including the Leased Premises and the land upon which the Project is situated. "Building" as used in this Lease means the building described in section 1.02 of which the Leased Premises are a part. [Note: The "Project" is not described in Section 1.02]

13.04 Commencement Date. "Commencement Date" shall be the date set forth in section 1.03. The Commencement Date shall constitute the commencement of the term of this Lease for all purposes, whether or not Tenant has actually taken possession.

13.05 Square Feet. "Square feet" or "square foot" as used in this Lease includes the area contained within the Leased Premises together with a common area percentage factor (if applicable) of the Leased Premises proportionate to the total Project area.

ARTICLE 14.00 MISCELLANEOUS

14.01 Waiver. Failure of Landlord to declare an event of default immediately upon its occurrence, or delay in taking any action in connection with an event of default, shall not constitute a waiver of the default, but Landlord shall have the right to declare the default at any time and take such action as is lawful or authorized under this Lease. Pursuit of any one or more of the remedies set forth in Article 11.00 above shall not preclude pursuit of any one or more of the other remedies provided elsewhere in this Lease or provided at law or in equity, nor shall pursuit of any remedy constitute forfeiture or waiver of any rent or damages accruing to Landlord by reason of the violation of any of the terms, provisions or covenants of this Lease. Failure by Landlord to enforce one or more of the remedies provided upon an event of default shall not be deemed or construed to constitute a waiver of the default or of any other violation or breach of any of the terms, provisions and covenants contained in this Lease.

14.02 Act of God. Neither Tenant (except for Tenant's obligation to pay rent) nor Landlord shall be required to perform any covenant or obligation in this Lease, or be liable in damages to each other, so long as the performance or non-performance of the covenant or obligation is delayed, caused or prevented by an act of God, force majeure or by the other party.

14.03 Attorney's Fees. In the event Tenant or Landlord defaults in the performance of any of the terms, covenants, agreements or conditions contained in this Lease and the non-defaulting party places in the hands of an attorney the enforcement of all or any part of this Lease, the collection of any rent due or to become due or recovery of the possession of the Leased Premises, the defaulting party agrees to pay non-defaulting party's costs of collection, including reasonable attorney's fees for the services of the attorney, whether suit is actually filed or not.

14.04 Successors. This Lease shall be binding upon and inure to the benefit of Landlord and Tenant and their respective heirs, personal representatives, successors and assigns. It is hereby covenanted and agreed that should Landlord's interest in the Leased Premises cease to exist for any reason during the term of this Lease, then notwithstanding the happening of such event this Lease nevertheless shall remain unimpaired and in full force and effect, and Tenant hereunder agrees to attorn to the then owner of the Leased Premises.

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14.05 Rent Tax. If applicable in the jurisdiction where the Leased Premises are situated, Tenant shall pay and be liable for all rental, sales and use taxes or other similar taxes, if any, levied or imposed by any city, state, county or other governmental body having authority, if such tax is in lieu of ad valorem taxes, such payments to be in addition to all other payments required to be paid to Landlord by Tenant under the terms of this Lease. Any such payment shall be paid concurrently with the payment of the rent, additional rent, Operating Expenses or other charge upon which the tax is based as set forth above.

14.06 Captions. The captions appearing in this Lease are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope or intent of any section.

14.07 Notice. All rent and other payments required to be made by Tenant shall be payable to Landlord at the address set forth in section 1.05. All payments required to be made by Landlord to Tenant shall be payable to Tenant at the address set forth in Section 1.05 or at any other address within the United States as Tenant may specify from time to time by written notice. For purposes hereof, any notice or document required or permitted to be delivered by the terms of this Lease (other than delivery of rental payments) shall be deemed to be delivered upon the earlier of actual receipt or (whether or not actually received) when deposited in the United States Mail, postage prepaid, certified mail, return receipt requested, addressed to the parties at the respective addresses set forth in section 1.05. Rental payments shall be deemed received upon actual receipt. **Except as specifically set forth herein, in no event shall notice by facsimile transmission be proper notice under the terms of this Lease.**

14.08 Submission of Lease. Submission of this Lease to Tenant for signature does not constitute a reservation of space or an option or offer to lease. This Lease is not deemed effective until execution by and delivery to both Landlord and Tenant.

14.09 Corporate Authority. If Tenant executes this Lease as a corporation, each of the persons executing this Lease on behalf of Tenant does hereby personally represent and warrant that Tenant is a duly authorized and existing corporation, that Tenant is qualified to do business in the state in which the Leased Premises are located, that the corporation has full right and authority to enter into this Lease, and that each person signing on behalf of the corporation is authorized to do so. In the event any representation or warranty is false, all persons who execute this Lease shall be liable, individually, as Tenant. Tenant shall additionally deliver 1) a corporate resolution authorizing execution of this Lease and confirming the authority of those persons executing the Lease, 2) certified Articles of Incorporation and 3) a certificate of existence and good standing from the State of Tennessee or if Tenant is not incorporated in Tennessee, a certificate of existence and good standing from Tenant's state of incorporation and a certificate evidencing Tenant's authority to do business in the State of Tennessee.

14.10 Partnership Authority. If Tenant executes this Lease as a general or limited partnership, each person executing this Lease on behalf of Tenant does hereby personally represent and warrant that Tenant is a duly authorized and existing partnership, that, if applicable, Tenant is qualified to do business in the state where the Leased Premises are located, that the partnership has full right and authority to enter into this Lease, and that each person signing on behalf of the partnership is authorized to do so. In the event any representation or warranty is false, all persons who execute this Lease shall be liable, individually, as Tenant. Tenant shall additionally deliver a copy of its partnership agreement, and if a limited partnership, a copy of its certificate of limited partnership. The party executing the Lease on behalf of Tenant, if a corporate managing general partner or general partner, shall additionally deliver 1) a corporate resolution authorizing execution of this Lease and confirming the authority of those executing this Lease, 2) certified Articles of Incorporation, 3) a certificate of existence and good standing from the State of Tennessee or if such party is not incorporated in Tennessee, a certificate of existence and good standing from such party's state of incorporation and a certificate evidencing such party's authority to do business in the State of Tennessee.

14.11 Severability. If any provision of this Lease or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Lease and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

14.12 Landlord's Liability. If Landlord shall be in default under this Lease and, if as a consequence of such default, Tenant shall recover a money judgment against Landlord, such judgment shall be satisfied only out of the right, title and interest of Landlord in the Project as the same may then be encumbered and neither Landlord nor any person or entity comprising Landlord shall be liable for any deficiency. In no event shall Tenant have the right to levy execution against any property of Landlord nor any person or entity comprising Landlord other than its interest in the Project as herein expressly provided.

14.13 Indemnity. Landlord agrees to indemnify and hold harmless Tenant from and against any liability or claim, whether meritorious or not, arising with respect to any broker whose claim arises by, through or on behalf of Landlord.

14.14 Notice to Mortgagees. Provided that Tenant has received prior written notice of the name and address of such lender, Tenant shall serve written notice of any claimed default or breach by Landlord under this Lease upon any lender which is a beneficiary under any deed of trust or mortgage against the Leased Premises, and no notice to Landlord shall be effective against Landlord unless such notice is served upon said lender; notwithstanding anything to the contrary contained herein, Tenant shall allow such lender the same period following lender's receipt of such notice to cure such default or breach as is afforded Landlord.

14.15 No Recordation. Tenant shall not record this Lease without the prior written consent of Landlord.

14.16 Governing Law. THIS LEASE SHALL BE CONSTRUED UNDER ;AND IN ACCORDANCE WITH

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THE LAWS OF THE STATE OF TENNESSEE AND THE LAWS OF THE UNITED STATES OF AMERICA AS APPLICABLE TO TRANSACTIONS WITHIN THE STATE OF TENNESSEE.

14.17 Brokers. Tenant represents and warrants that Tenant has dealt with no broker except the broker which has been identified to Landlord and that, insofar as Tenant knows, no other broker negotiated this Lease or is entitled to any commission in connection herewith on behalf of Tenant. The Parties hereto shall indemnify and hold each other harmless from and against all claims (and costs of defending against, and investigating such claims) of any other broker or similar parties claiming under the other party in connection with this Lease. Landlord represents and warrants to Tenant that Landlord has dealt with no broker except the broker which has been identified to Tenant and that, insofar as Landlord knows, no other broker negotiated this Lease or is entitled to any commission in connection herewith on behalf of Tenant.

Upon execution of this Lease, Landlord shall pay Grubb-Ellis| Memphis ("Tenant's Broker") a commission equal to 4% of the net lease value, which equals \$16,132.18.

14.18 Publication. Tenant hereby agrees that Landlord shall have the right, but not the obligation, at no cost to Tenant, to publicize and/or advertise the execution of this Lease and the related transaction.

14.19 Construction of Lease. Tenant declares that Tenant has read and understands all parts of this Lease, including all printed parts hereof. It is agreed that, in the construction and interpretation of the terms of this Lease, the rule of construction that a document is to be construed most strictly against the party who prepared the same shall not be applied, it being agreed that both parties hereto have participated in the preparation of the final form of this Lease. Wherever in this Lease a provision is made for liquidated damages, it is because the parties hereto acknowledge and agree that the determination of actual damages (of which such liquidated damages are in lieu) is speculative and difficult to determine; the parties agree that liquidated damages herein are not a penalty.

14.20 Financials. At Landlord's request from time to time Tenant shall furnish Landlord with true and complete copies of its most recent annual and quarterly financial statements prepared by Tenant or Tenant's accountants and any other financial information or summaries that Tenant typically provides to its lenders or shareholders.

ARTICLE 15.00 AMENDMENTS AND LIMITATION OF WARRANTIES

15.01 Entire Agreement. IT IS EXPRESSLY AGREED BY TENANT, AS A MATERIAL CONSIDERATION FOR THE EXECUTION OF THIS LEASE, THAT THIS LEASE, WITH THE SPECIFIC REFERENCES TO WRITTEN EXTRINSIC DOCUMENTS, IS THE ENTIRE AGREEMENT OF THE PARTIES; THAT THERE ARE, AND WERE, NO VERBAL REPRESENTATIONS, WARRANTIES, UNDERSTANDINGS, STIPULATIONS, AGREEMENTS OR PROMISES PERTAINING TO THIS LEASE OR TO THE EXPRESSLY MENTIONED WRITTEN EXTRINSIC DOCUMENTS NOT INCORPORATED IN WRITING IN THIS LEASE.


15.02 Amendment. THIS LEASE MAY NOT BE ALTERED, WANED, AMENDED OR EXTENDED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY LANDLORD AND TENANT.

15.03 Limitation of Warranties. LANDLORD AND TENANT EXPRESSLY AGREE THAT THERE ARE AND SHALL BE NO IMPLIED WARRANTIES OF MERCHANTABILITY, HABITABILITY, FITNESS FOR A PARTICULAR PURPOSE OR OF ANY OTHER KIND ARISING OUT OF THIS LEASE, AND THERE ARE NO WARRANTIES WHICH EXTEND BEYOND THOSE EXPRESSLY SET FORTH IN THIS LEASE.

ARTICLE 16.00 OTHER PROVISIONS

16.01 Systems. On the Commencement Date of this Lease, Landlord will deliver the Leased Premises to Tenant with (i) the existing lighting, heating, plumbing, electrical, ventilating and air conditioning systems, and (ii) the doors, door hardware and exterior door locks (the "Systems") in good operating condition. Tenant acknowledges that Landlord has no further obligations with regard to the Systems and that Tenant is obligated to maintain and repair the Systems as provided in section 5.03 of this Lease.

16.02 Finish Allowance: Prior to the Commencement Date, Landlord agrees to complete the following improvements to the Leased Premises at Landlord's sole cost: Build demising wall between the Leased Premises and the adjacent suites, separate utilities between suites (electricity and gas) and remove the existing furniture, and obtain a certificate of occupancy for such work. Any additional improvements requested of Landlord by Tenant shall be at Tenant's sole cost and shall be pre-approved by Landlord as per Article 6 hereof.



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16.03 Renewal Option: If at the end of the original Term of this Lease, provided that no event of default then exists, the Tenant (but not any assignee or subtenant of Tenant, unless such assignment or sublease was consented to by Landlord hereunder), is hereby granted the options to renew this Lease for two (2) additional terms of five (5) years each upon the same terms and conditions contained in this Lease with the following exceptions:

A. Renewal Option Base Rent shall initially be ninety percent (90%) of the then Fair Market Value (FMV) for the Premises as mutually determined by Landlord and Tenant; and

B. The renewal term will contain no further Renewal Options unless expressly set forth herein or granted by Landlord in a subsequent writing.

If Tenant desires to exercise its renewal options hereunder, Tenant shall notify Landlord in writing of its intention to renew not later than six (6) months prior to the expiration date of the initial term of this Lease and/or other renewal terms of this Lease, thereupon, Landlord and Tenant shall work together, in good faith, to determine the FMV for such renewal term

16.04 Option to Cancel: Tenant shall have a one-time option to cancel this Lease during the first twelve (12) months of the Term in the event that Tenant is unable to obtain the required state of Tennessee licenses to operate an outpatient addiction treatment and counseling services business, including a Certificate of Need permit (CON) issued by the Tennessee Health Services and Development Agency (the "Option to Cancel"). If Tenant is unable to obtain said required licenses and or CON permit during said time period, Tenant shall notify Landlord in writing at least thirty (30) days in advance of its intention to exercise the Option to Cancel. In such event, Tenant shall immediately return possession of the Premises to Landlord (in the same condition in which the Premises were provided to Tenant, normal wear and tear excepted). In addition, any amounts owed at that time to Landlord under this Lease (including but not limited to any Rent, Additional Rent or other sums due hereunder) shall be paid concurrently with Tenant's notice of its intent to exercise this Option, and this Lease shall be considered null and void with no further obligation by either party effective as of thirty (30) days after the receipt by Landlord of Tenant's notice.

In addition, in the event that Tenant exercises its Option to Cancel, Tenant shall pay to Landlord concurrently with its notice of exercise of the Option to Cancel, any commissions that Landlord shall have paid to Tenant's Broker, Grubb & Ellis, (but not Landlord's broker or any other broker).

16.05 Pre-Paid Rent: Tenant shall, concurrently with Tenant's execution of this Lease, deposit with the Landlord the sum of eight-thousand, sixty-six and 09/100 dollars (\$8,066.09) as and for pre-paid rent. If Tenant exercises its Option to Cancel, Landlord shall retain the \$8,066.09 as consideration for Tenant's Option to Cancel. If Tenant does not exercise its Option to Cancel, Landlord shall, during the 13th month of the Term, issue a check to Tenant in the amount of the pre-paid rent above (\$8,066.09), and if Landlord fails to issue such check, then Tenant may offset rent due and owing hereunder by the amount of such prepaid rent \$8,066.09.

ARTICLE 17.00 SIGNATURES

SIGNED this 23 day of January, 2013.

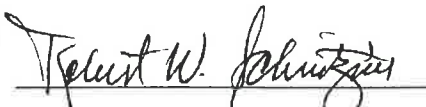
LANDLORD
CP Perimeter Point East, LLC, Tennessee limited liability company

By: 

Brett Baumgarten

Managing Partner **MEMBER**

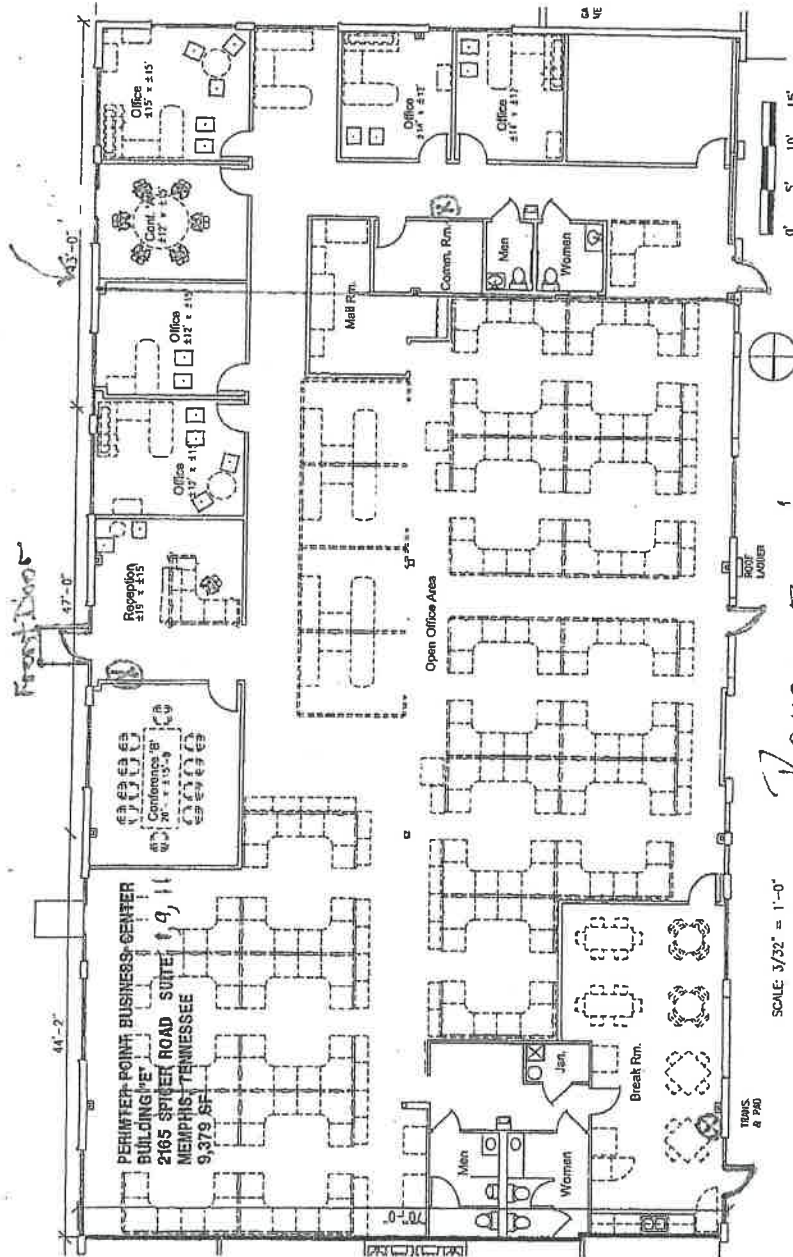
TENANT
VCPHCS XXI, LLC, Delaware limited liability company

By: 

Name: Robert W. Schnitzler

Title: CFO

Deriving Wall



Remove Furniture
Separate Utilities

SCALE: $3/32'' = 1'-0''$

EXHIBIT "B"
HVAC MAINTENANCE CONTRACT
REQUIRED SERVICES

Annual Inspection - Heating System

- Inspect burner and burner related equipment. Clean as needed.
- Lubricate all bearings as required.
- Inspect all belts. Adjust or replace as necessary.
- Inspect all pulleys. Adjust as required.
- Lubricate and ensure dampers and linkage move freely.
- Inspect air filtration media. Advise office if dirty.
- Inspect electrical wiring and related components. Tighten connections.
- Inspect and prove all operating and safety controls.
- Perform diagnostic and performance evaluation on each unit.
- Check drives, and align/adjust couplings.
- Test for leaks around fittings, flanges, and joints.
- Check pilot/ignition.
- Change filters quarterly. Use pleated filters only.
- Make recommendations of needed repairs.

Annual Inspection - Cooling System

- Clean condenser coil annually.
- Clean drain pan and install biocide antibacterial drain pan protectors.
- Lubricate all bearings as required.
- Inspect all belts and pulleys. Replace belts as needed.
- Lubricate and ensure dampers and linkage move freely.
- Inspect all filtration media. Advise office if dirty.
- Inspect for proper refrigerant flows, operating pressures and temperatures. Adjust as required.
- Record compressor oil level and sample oil for acidity, if applicable.
- Perform visual inspection for oil leaks.
- Ensure all crank case heaters are operational.
- Clean outside air screens if applicable.
- Inspect and prove all operating and safety controls.
- Perform diagnostic and performance evaluation on each unit.
- Check drives and align/adjust couplings.
- Test for leaks around fittings, flanges, and joints.
- Change filters quarterly. Use pleated filters only.
- Make recommendations of needed repairs.



RULES AND REGULATIONS

1. Landlord agrees to furnish Tenant two keys without charge. Additional keys will be furnished at a nominal charge. Tenant shall not change locks or install additional locks on doors without prior written consent of Landlord. Tenant shall not make or cause to be made duplicates of keys procured from Landlord without prior approval of Landlord. All keys to Leased Premises shall be surrendered to Landlord upon termination of this Lease.
2. Tenant will refer all contractors, contractor's representatives and installation technicians rendering any service on or to the Leased Premises for Tenant to Landlord for Landlord's approval before performance of any contractual service. Tenant's contractors and installation technicians shall comply with Landlord's rules and regulations pertaining to construction and installation. This provision shall apply to all work performed on or about the Leased Premises or Project, including installation of telephones, telegraph equipment, electrical devices and attachments and installations of any nature affecting floors, walls, woodwork, trim, windows, ceilings and equipment or any other physical portion of the Leased Premises or Project.
3. Tenant shall not at any time smoke within the Leased Premises. Smoking shall be permitted in the back exterior of the Building.
4. Tenant shall not at any time occupy any part of the Leased Premises or Project as sleeping or lodging quarters.
5. Tenant shall not place, install or operate on the Leased Premises or in any part of the Project any engine, stove or machinery, or conduct mechanical operations or cook thereon or therein, or place or use in or about the Leased Premises or Project any explosives, gasoline, kerosene, oil, acids, caustics, or any flammable, explosive or hazardous material without written consent of Landlord.
6. Landlord will not be responsible for lost or stolen personal property, equipment, money or jewelry from the Leased Premises or the Project regardless of whether, such loss occurs when the area is locked against entry or not.
7. No dogs, cats, fowl, or other animals shall be brought into or kept in or about the Leased Premises or Project.
8. Employees of Landlord shall not receive or carry messages for or to any Tenant or other person or contract with or render free or paid services to any Tenant or to any of Tenant's agents, employees or invitees.
9. None of the parking, plaza, recreation or lawn areas, entries, passages, doors, elevators, hallways or stairways shall be blocked or obstructed or any rubbish, litter, trash, or material of any nature placed, emptied or thrown into these areas or such area used by Tenant's agents, employees or invitees at any time for purposes inconsistent with their designation by Landlord.
10. The water closets and other water fixtures shall not be used for any purpose other than those for which they were constructed, and any damage resulting to them from misuse or by the defacing or injury of any part of the Project shall be borne by the person who shall occasion it. No person shall waste water by interfering with the faucets or otherwise.
11. No person shall disturb occupants of the Project the use of any radios, record players, tape recorders, musical instruments, the making of unseemly noises or any unreasonable use.
12. Nothing shall be thrown out of the windows of the Project or down the stairways or other passages.
13. Tenant and its employees, agents and invitees shall park their vehicles only in those parking areas designated by Landlord. If requested by Landlord, Tenant shall furnish Landlord with state automobile license numbers of Tenant's vehicles and its employees' vehicles within five days after taking possession of the Leased Premises and shall notify Landlord of any changes within five days after such change occurs. Tenant shall not leave any vehicle in a state of disrepair (including without limitation, flat tires, out of date inspection stickers or license plates) on the Leased Premises or Project. If Tenant or its employees, agents or invitees park their vehicles in areas other than the designated parking areas or leave any vehicle in a state of disrepair, Landlord, after giving written notice to Tenant of such violation, shall have the right to remove such vehicles at Tenant's expense.
14. Parking in a parking garage or area shall be in compliance with all parking rules and regulations including any sticker or other identification system established by Landlord. Failure to observe the rules and regulations shall terminate Tenant's right to use the parking garage or area and subject the vehicle in violation of the parking rules and regulations to removal and impoundment. No termination of parking privileges or removal of impoundment of a vehicle shall create any liability on Landlord or be deemed to interfere with Tenant's right to possession of its Leased Premises. Vehicles must be parked entirely within the stall lines and all directional signs, arrows and posted speed limits must be observed. Parking is prohibited in areas not striped for parking, in aisles, where "No Parking" signs are posted, on ramps, in cross hatched areas, and in other areas as may be designated by Landlord. Parking stickers or other forms of identification supplied by Landlord shall remain the property of Landlord and not the property of Tenant and are not transferable. Every person is required to park and lock his vehicle. All responsibility for damage to vehicles or persons is assumed by the owner of the vehicle or its driver.
15. Movement in or out of the Project of furniture or office supplies and equipment, or dispatch or receipt by Tenant of any merchandise or materials which requires use of elevators or stairways, or movement through the Project entrances or lobby, shall be restricted to hours designated by Landlord. All such movement shall be under supervision.

May 28, 2013**3:45 pm**

of Landlord and carried out in the manner agreed between Tenant and Landlord by prearrangement before performance. Such prearrangement will include determination by Landlord of time, method, and routing of movement and limitations imposed by safety or other concerns which may prohibit any article, equipment or any other item from being brought into the Project. Tenant assumes, and shall indemnify Landlord against, all risks and claims of damage to persons and properties arising in connection with any said movement.

16. Landlord shall not be liable for any damages from the stoppage of elevators for necessary or desirable repairs or improvements or delays of any sort or duration in connection with the elevator service.

17. Tenant shall not lay floor covering within the Leased Premises without written approval of the Landlord. The use of cement or other similar adhesive materials not easily removed with water is expressly prohibited. Landlord requires the use of carpet protectors at all desk areas in order to maintain the carpet in good condition and prevent abnormal wear.

18. Tenant agrees to cooperate and assist Landlord in the prevention of canvassing, soliciting and peddling within the Project.

19. Landlord reserves the right to exclude from the Project, between the hours of 6:00 p.m. and 7:00 a.m. on weekdays and at all hours on Saturday, Sunday and legal holidays, all persons who are not known to the Project security personnel and who do not present a pass to the Project signed by the Tenant. Each Tenant shall be responsible for all persons for whom he supplies a pass.

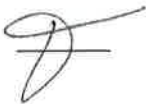
20. It is Landlord's desire to maintain in the Project the highest standard of dignity and good taste consistent with comfort and convenience for Tenants. Airy action or condition not meeting this high standard should be reported directly to Landlord. Your cooperation will be mutually beneficial and sincerely appreciated. Landlord reserves the right to make such other and further reasonable rules and regulations as in its judgment may from time to time be necessary, for the safety, care and cleanliness of the Leased Premises and for the preservation of good order therein.

21. Tenant acknowledges that its use as a substance abuse rehabilitation facility within an office park requires Tenant to exercise a greater than average degree of care and responsibility for the actions of its patients, visitors and employees. As such, Tenant shall be fully responsible for ensuring that its patients, visitors and employees do not:

- Congregate in the parking areas or other common areas of the Project;
- Create a nuisance (in Landlord's sole judgment) for other Tenants, visitors or invitees at the Project;
- Use, exchange or purchase alcohol or controlled substances anywhere on or about the Premises or the Project;
- Visit or enter upon the Project after the Tenant's hours of operation;
- Leave trash of any kind in the parking lot, planters, landscaped areas or other common areas of the Project;
- Do anything which would increase Landlord's cost of insurance coverage.

Should Landlord or Landlord's agent notify Tenant that it is in violation of any of the foregoing Rules and Regulations, Tenant shall immediately take whatever action is necessary in order to curtail said activity and shall immediately reimburse Landlord for the cost of remedying any damages created by Tenant, its patients, visitors or employees. Failure by Tenant to comply with these Rules and Regulations shall constitute a Default by Tenant as such term is defined in Article 11.00 hereof.

Tenant's Initials:



AFFIDAVIT

2013 MAY 28 PM 3 52

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY:

Raleigh Professional Associates

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the lawful agent of the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge.

John Wellborn
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 28 day of May, 2013,
witness my hand at office in the County of Davidson, State of Tennessee.

Christopher D. Dobbs
NOTARY PUBLIC

My commission expires 6-21, 2016.

HF-0043

Revised 7/02



Copy

Supplemental #2

Raleigh Professional Associates

CN1305-019

2013 MAY 30 PM 3 24

May 29, 2013

Phillip M. Earhart, Health Planner III
Tennessee Health Services and Development Agency
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37203

RE: Raleigh Professional Associates--Relocation Application
Memphis, Shelby County

Dear Mr. Earhart:

This letter responds to your second request for supplemental information on the subject project. The responses are numbered to correspond to your questions, and are provided in triplicate, with an affidavit.

1. Applicant Profile, Item 1

The applicant has listed the proposed project address as 2165 Spicer Cover, Memphis, TN. The letter of intent lists the address as 2165 Spicer Cove. Please attach a replacement page with the correct street name.

A replacement page 1R is attached following this page, with the street name corrected.

2. Section A, Applicant Profile, Item 6

The provided lease agreement is noted. Please clarify the reason Exhibit "A" of the lease agreement listed the facility as Perimeter Point Business Center "Building E" while the facility address provided by the applicant in the applicant profile section is listed as "Building B".

The replacement page 1R attached after this page corrects the building designation to Building E.

3. Section C, Economic Feasibility, Item 4. (Projected and Historical Data Chart)

a. The applicant states the Medical Director provides twelve (12)) hours coverage four (4) days per week. In another application filed simultaneously by the applicant's corporation BHG, ADC Recovery and Counseling Center, CN1305-018, the applicant states the Medical Director provides approximately nine (9) hours of coverage across three (3) scheduled days per week. The patient census appears to be similar. Please clarify why there is a discrepancy in physician coverage and if

PART A**1. Name of Facility, Agency, or Institution**

Raleigh Professional Associates		
<i>Name</i>		
2165 Spicer Cove, Suite 9, Building E	Shelby	
<i>Street or Route</i>	<i>County</i>	
Memphis	TN	38134
<i>City</i>	<i>State</i>	<i>Zip Code</i>

2. Contact Person Available for Responses to Questions

John Wellborn		Consultant	
<i>Name</i>		<i>Title</i>	
Development Support Group		jwdsg@comcast.net	
<i>Company Name</i>		<i>E-Mail Address</i>	
4219 Hillsboro Road, Suite 203	Nashville	TN	37215
<i>Street or Route</i>	<i>City</i>	<i>State</i>	<i>Zip Code</i>
CON Consultant	615-665-2022	615-665-2042	
<i>Association With Owner</i>	<i>Phone Number</i>	<i>Fax Number</i>	

3. Owner of the Facility, Agency, or Institution

VCPHCS XXI, LLC dba Behavioral Health Group		214-365-6100
<i>Name</i>		<i>Phone Number</i>
8300 Douglas Avenue, Suite 750		Dallas
<i>Street or Route</i>		<i>County</i>
Dallas	TX	75225
<i>City</i>	<i>State</i>	<i>Zip Code</i>

4. Type of Ownership or Control (Check One)

A. Sole Proprietorship		F. Government (State of TN or Political Subdivision)	
B. Partnership		G. Joint Venture	
C. Limited Partnership		H. Limited Liability Company	x
D. Corporation (For-Profit)		I. Other (Specify):	
E. Corporation (Not-for-Profit)			

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS**

Page Two
May 29, 2013

patients with higher acuities are sent Raleigh Associates where there is additional MD coverage.

The difference in coverage hours is owed to each of the respective Medical Directors' availability and does not reflect a higher level of care at one Treatment Center versus the other. The Raleigh Professional Associates coverage level actually exceeds the patient service needs and reflect the hours of coverage that were being provided when we acquired the Treatment Center. Given the Medical Director's tenure, technical competence, and rapport with the patients and staff, BHG elected to maintain coverage at historical rates. Also, it should be noted that the physician coverage provided at ADC exceeds the Tennessee regulatory requirement to provide "on-site prescriber services of one hour per week for every 35 service recipients" found in 0940-05-42-.29 1.(3)(c)2.

b. Does the back-up Physician provide services to multiple sites?

Generally, BHG's back-up physicians will provide services to several facilities if they are located within close proximity to one another. In this case, anyone hired as a back-up physician for ADC will also likely be capable of providing services at BHG's other Memphis locations (Memphis Center for Research and Addiction Treatment and Raleigh Professional Associates). BHG's preferred practice is to have multiple "back-up" physicians under contract for each Treatment Center in order to ensure on-demand availability and the best possible patient care at all of its locations.

c. The Projected Data Chart list the Year 2014 twice. Please provide a corrected Projected Data Chart.

It is attached following this page.

d. Please clarify the reason salaries and wages in Year 2014 is \$497,125 for 260 patients and in ADC Recovery and Counseling Center, CN1305-018 is \$356,582 for 250 patients, a decrease of \$140,543.

Raleigh Professional Associates and its staffing costs were acquired by BHG at wage rates higher than the market average, primarily for counselors. Out of fairness to the Raleigh Professional Associates staff, BHG maintained their compensation rates instead

PROJECTED DATA CHART -- RALEIGH PROFESSIONAL ASSOCIATES

SUPPLEMENTAL- # 2

May 30, 2013

3:46 pm

Give information for the two (2) years following the completion of this proposal.

The fiscal year begins in January.

2013 MAY 30 PM 3 39

		Year 2014	Year 2015
	Patients	260	260
	Encounters	94,900	94,900
A.	Utilization Data		
B.	Revenue from Services to Patients		
1.	Inpatient Services	\$	\$
2.	Outpatient Services	1,284,400	1,324,960
3.	Emergency Services		
4.	Other Operating Revenue (Specify)		
	Gross Operating Revenue	\$ 1,284,400	\$ 1,324,960
C.	Deductions for Operating Revenue		
1.	Contractual Adjustments	\$	\$
2.	Provision for Charity Care	19,266	19,874
3.	Provisions for Bad Debt	32,110	33,124
	Total Deductions	\$ 51,376	\$ 52,998
	NET OPERATING REVENUE	\$ 1,233,024	\$ 1,271,962
D.	Operating Expenses		
1.	Salaries and Wages	\$ 497,125	\$ 512,039
2.	Physicians Salaries and Wages	68,640	70,356
3.	Supplies	38,500	40,000
4.	Taxes	49,713	51,204
5.	Depreciation	125,000	100,000
6.	Rent	42,588	43,865
7.	Interest, other than Capital	-	-
8.	Management Fees		
a.	Fees to Affiliates	0	0
b.	Fees to Non-Affiliates	0	0
9.	Other Expenses (Specify) <small>See notes</small>	280,612	291,985
	Total Operating Expenses	\$ 1,102,178	\$ 1,109,449
E.	Other Revenue (Expenses) -- Net (Specify)	\$	\$
	NET OPERATING INCOME (LOSS)	\$ 130,846	\$ 162,512
F.	Capital Expenditures		
1.	Retirement of Principal	\$ 0	\$ 0
2.	Interest	135,000	100,000
	Total Capital Expenditures	\$ 135,000	\$ 100,000
	NET OPERATING INCOME (LOSS)		
	LESS CAPITAL EXPENDITURES	\$ (4,154)	\$ 62,512

**May 30, 2013
3:46 pm**

Page Three
May 29, 2013

of lowering them to align with market rates. In addition, Raleigh Professional Associates is staffed with one (1) additional counselor who will be dedicated to a trial project focused on external case management services development in the greater Memphis area. This effort will benefit all BHG Treatment Center patients, but the cost is carried at Raleigh Professional Associates.

e. Notification Requirements

Please note that Tennessee Code Annotated 68-11-1607(c)(3) states that "...Within ten (10) days of filing an application for a nonresidential methadone treatment facility with the agency, the applicant shall send a notice to the county executive of the county in which the facility is proposed to be located, the member of the House of Representatives and the Senator of the General Assembly representing the district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential methadone treatment facility has been filed with the agency by the applicant."

Please provide documentation that notification was sent to the member of the House of Representatives in which the facility is proposed to be located.

The required notification was provided. Documentation is attached following this page.

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please FAX or telephone me so that we can respond in time to be deemed complete.

Respectfully,



John Wellborn
Consultant

May 15, 2013

VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED

The Honorable Antonio Parkinson.
Representative, State of Tennessee
P. O. Box 281453
Memphis, TN 38168

**RE: Proposed Relocation of Adult Non-Residential Substitution-Based Treatment
Center for Opiate Addiction**

Dear Representative Parkinson:

Please be advised that VCPHCS XXI, LLC d/b/a Raleigh Professional Associates has filed an application with the Tennessee Health Services and Development Agency to relocate from its current site at 2960-B Old Austin Peay Highway, Memphis, Tennessee 38128 to 2165 Spicer Cove, Suite 9, Memphis, Tennessee 38134 (a distance of three miles), at a capital cost estimated at \$1,137,000.

Opioid Treatment Programs (OTPs) give persons struggling with opioid drug addiction (e.g., OxyContin, hydrocodone) the best chance at long term recovery, as the OTP treatment model specifically addresses both the neurochemical and psychological aspects of the disease. This dual-pronged approach is accomplished on an outpatient basis through physician-supervised medication assisted treatment (i.e., methadone replacement therapy) and intensive behavioral treatment (i.e., individual and group counseling), and it is complemented by access to social services and other support systems for patients. OTPs have been found by the Tennessee Department of Mental Health and relevant federal agencies to be tremendous resources for persons struggling to overcome opioid addiction and also for their families and communities.

This notice is provided pursuant to Tenn. Code Ann. § 68-11-1607(c)(3).

Please contact Richard Lodge at 615-742-6254 should you desire further information.

Sincerely,

VCPHCS XXI, LLC d/b/a Raleigh
Professional Associates

SUPPLEMENTAL- # 2

BHG - *May 30 2013*
3:46 pm

ET96 6900 1000 005E TT02

U.S. Postal Service TM	
CERTIFIED MAIL TM RECEIPT	
(Domestic Mail Only; No Insurance Coverage Provided)	
For delivery information visit our website at www.usps.com	
OFFICIAL USE	
Postage	
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees \$	
Sent To: The Honorable Antonio Parkinson, Representative, State of Tennessee	
Street, Apt. or PO Box: P. O. Box 281453	
City, State: Memphis, TN 38168	
PS Form 3800, August 2006	
See Reverse for Instructions	

AFFIDAVIT 2013 MAY 30 PM 3 39

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY:

RALPH PROFESSIONAL ASSOCIATES

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the lawful agent of the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge.

John Wellborn
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30 day of MAY, 2013,
witness my hand at office in the County of DAVIDSON, State of Tennessee.

JMBM
NOTARY PUBLIC

My commission expires 1-11, 2017.

HF-0043

Revised 7/02



Copy

**Additional information for
Application**

**Raleigh Professional
Associates**

CN1305-019

2013 MAY 17 AM 11 18

May 17, 2013

Phillip M. Earhart, Health Planner III
Tennessee Health Services and Development Agency
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37203

RE: Raleigh Professional Associates--Relocation Application
Memphis, Shelby County

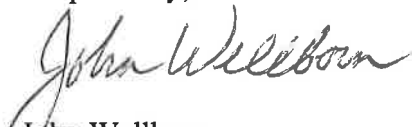
Dear Mr. Earhart:

This letter is to add some follow-up information to the subject application prior to our receipt of your first supplemental request.

1. Attached is the architect's letter attesting to the construction cost. It belongs in Attachment C, Economic Feasibility-1. It was not received until after the application was filed.
2. Attached for insertion into Attachment A.4 is a list of the BHG facilities in the State of Tennessee.

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please FAX or telephone me so that we can respond in time to be deemed complete.

Respectfully,


John Wellborn
Consultant

15 May 2013

Ms Melanie Hill
Executive Director
Tennessee Health Services and Development Agency
161 Rosa Parks Boulevard
Nashville Tennessee 37203

RE: Raleigh Professional Associates
2165 Spicer Cove Memphis TN

Dear Ms Hill:

Denton Architecture has reviewed the construction cost estimate provided by Newmark Grubb Memphis. Based on experience and the current construction market, it is our opinion that the projected cost of \$514,500 appears to be reasonable for this project type, size & location.

Below is a list of the current codes and laws governing the design and construction of this project.

Codes:

- 2009 International Building Code (IBC) (with local amendments)
- 2009 International Mechanical Code (IMC) (with local amendments)
- 2009 International Plumbing Code (IPC) (with local amendments)
- 2009 International Fire Code (IFC) (with local amendments)
- 2009 International Fuel & Gas Code (IFGC) (with local amendments)
- 2009 International Energy Conservation Code (IECC) (with local amendments)
- 2009 International Existing Building Code (IEBC) (with local amendments)
- 2008 National Electrical Code (NEC) (with local amendments)
- 2003 Accessibility Code ICC/ANSI A117.1

Laws:

Americans with Disability Act Accessibility Guidelines (revised 9-15-2010)

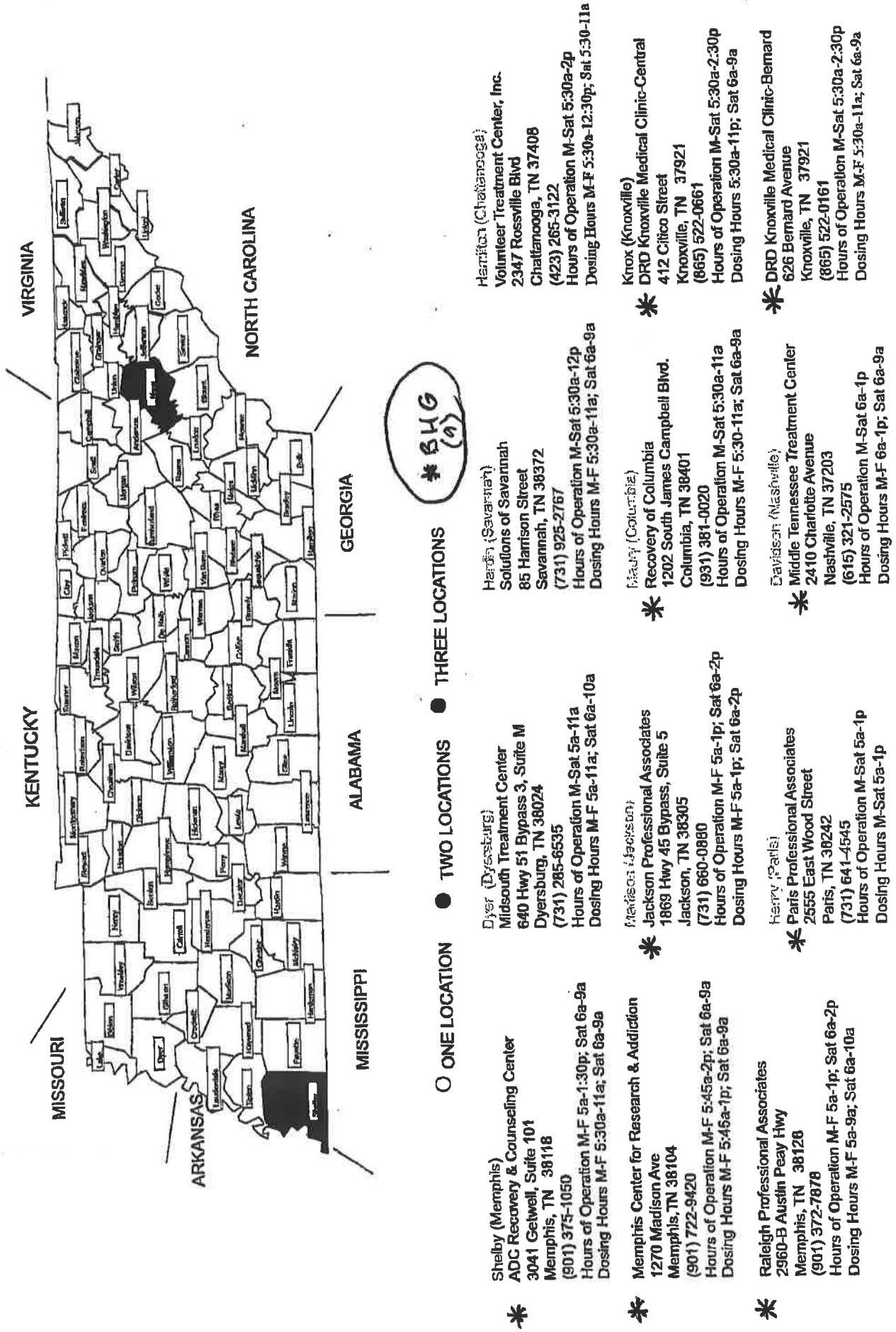
Thank you



Marcus S Denton, AIA

March 2011

Tennessee Opioid Treatment Clinics



AFFIDAVIT
2013 MAY 17 AM 11 18

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY:

Raleigh Professional Associates

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the lawful agent of the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge.

John Wellborn
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 17 day of MAY, 2013,
witness my hand at office in the County of DAVIDSON, State of Tennessee.

John B. M.
NOTARY PUBLIC

My commission expires 1-11, 2017.

HF-0043

Revised 7/02





State of Tennessee

Health Services and Development Agency

Frost Building, 3rd Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

June 1, 2013

John L. Wellborn, Consultant
Development Support Group
4219 Hillsboro Road, Suite 203
Nashville, TN 37215

RE: Certificate of Need Application -- Raleigh Professional Associates - CN1305-019

Dear Mr. Wellborn:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need to relocate Raleigh Professional Associates from its current site at 2960-B Old Austin Peay Highway, Memphis (Shelby County), TN to 2165 Spicer Cove, Suite 9, Memphis (Shelby County), TN 38134. The proposed service area is Blount, Fayette, and Tipton counties. The estimated project cost is \$1,136,905.

Please be advised that your application is now considered to be complete by this office. Your application is being forwarded to the Tennessee Department of Health and/or its representative for review.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on June 1, 2013. The first sixty (60) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the sixty (60) day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on August 28, 2013.

John L. Wellborn, Consultant
June 1, 2013
Page 2

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,



Melanie M. Hill
Executive Director

MMH:mab

cc: Dan Henderson, Director, Division of Health Statistics
J. Richard Lodge, Esq.
Sandra (Sandy) Braber-Grove, Esq., Assistant General Counsel, TDMH



State of Tennessee


Health Services and Development Agency

Frost Building, 3rd Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

MEMORANDUM

TO: Sandra Braber-Grove, Esq.
Assistant General Counsel
Privacy Compliance Officer
Office of Legal Counsel
Tennessee Department of Mental Health
11th Floor, Andrew Johnson Tower
710 James Robertson Parkway
Nashville, TN 37243

FROM: 
Melanie M. Hill
Executive Director

DATE: June 1, 2013

RE: Certificate of Need Application
Raleigh Professional Associates - CN1305-019

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on June 1, 2013 and end on August 1, 2013.

Should there be any questions regarding this application or the review cycle, please contact this office.

MMH:mab

Enclosure

cc: John L. Wellborn, Consultant
J. Richard Lodge, Esq.

LETTER OF INTENT -- HEALTH SERVICES & DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal, which is a newspaper of general circulation in Shelby County, Tennessee, on or before May 10, 2013, for one day. 2013 MAY -9 PM 1:26

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Raleigh Professional Associates (an adult non-residential substitution-based treatment center for opiate addiction), owned and managed by VCPHCS XXI, LLC (a limited liability company), intends to file an application for a Certificate of Need to relocate from its current site at 2960-B Old Austin Peay Highway, Memphis, TN 38128, to 2165 Spicer Cove, Suite 9, Memphis, TN 38134 (a distance of 3 miles), at a capital cost estimated at \$1,150,000.

The facility is licensed by the Tennessee Department of Mental Health and Substance Abuse Services as an Alcohol & Drug Non-Residential Opiate Treatment Facility. It will be used exclusively to provide a comprehensive adult outpatient treatment program for opioid addiction--with testing, monitoring, counseling, medication (including methadone and suboxone) , and related services required for State licensure and for Federal certification by the U.S. Department of Health and Human Services.

The project does not contain major medical equipment or initiate or discontinue any other health service; and it will not affect any facility's licensed bed complements. The anticipated date of filing the application is on or before May 15, 2013. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 203, Nashville, TN 37215; (615) 665-2022.

John Wellborn 5-8-13

(Signature)

(Date)

jwdsg@comcast.net

(E-mail Address)